S. HRG. 98-1021

BARROW GAS FIELD TRANSFER ACT OF 1984

HEARING

BEFORE THE

SUBCOMMITTEE ON
PUBLIC LANDS AND RESERVED WATER

OF THE

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 2762

A BILL ENTITLED THE "BARROW GAS FIELD TRANSFER ACT OF 1984"

H.R. 5740

AN ACT ENTITLED, THE "BARROW GAS FIELD TRANSFER ACT OF 1984"

JUNE 22, 1984

Printed for the use of the
Committee on Energy and Natural Resources

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BARROW GAS FIELD TRANSFER ACT OF 1984

FRIDAY, JUNE 22, 1984

U.S. SENATE, SUBCOMMITTEE ON PUBLIC LANDS AND RESERVED WATER, COMMITTEE ON ENERGY AND NATURAL RESOURCES,

Washington, DC.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room SD-366, Dirksen Office Building, Hon. Frank H. Murkowski, presiding.

Present: Senator Murkowski.

Also present: Tony Bevinetto, professional staff member; and Thomas B. Williams, professional staff member for the minority.

OPENING STATEMENT OF HON. FRANK H. MURKOWSKI, A U.S. SENATOR FROM THE STATE OF ALASKA

Senator MURKOWSKI. Good morning. The Subcommittee on Public Lands and Reserved Water will come to order. The purpose of the hearing this morning is to take testimony on S. 2762, the Barrow Gas Field Transfer Act of 1984, and also on H.R. 5740. These bills are both identical.

I would like to begin by thanking the chairman of the Subcommittee on Public Lands and Reserved Water, Senator Malcolm Wallop for scheduling these hearings and I would like to thank you, Tony Bevinetto, who is on the professional staff assigned to that committee this morning.

The Subcommittee on Public Lands and Reserved Water is by far the most active subcommittee within the Energy Committee, if not the entire Senate. I deeply appreciate the accommodation afforded us by the Senator from Wyoming for expediting this hearing process so that the bill so shortly after being introduced could be heard in this hearing.

The legislation before us today proposes to transfer the operation and ownership of the Barrow gas fields from the Department of the Interior to the North Slope Borough, which is the unit of local government for the entire North Slope of Alaska. Under the provisions of the Naval Petroleum Reserves Production Act of 1976, the Department of the Interior is obligated to supply the community of Barrow with natural gas at "reasonable and equitable prices." As a consequence of that provision, the Federal Government has subsidized the operation and maintenance of those fields at a cost of approximately $6 million per year.

The adoption of the legislation before the subcommittee, H.R. 5740 and S. 2762, which is before us this morning, would tranfer the fields and end the Federal Government's obligation to provide

subsidized energy to the community in the area generally of Barrow.

This legislation also authorizes several land exchanges which are necessary to protect other resource values in the area. I would note these exchanges and the gas field transfer has the full support and endorsement of the Department of the Interior, the North Slope Borough, the entire Alaska congressional delegation, the Arctic Slope Regional Corporation, the Village Corporation for the city of Barrow, the State of Alaska and the environmental community. This is clearly a consensus where everyone is a winner.

It is my hope that the broad consensus already exhibited in the hearings and deliberations by the House will make the speedy enactment of this measure become a reality.

[The texts of S. 2762 and H.R. 5740 follow:]

98TH CONGRESS
2D SESSION

S. 2762

Entitled the "Barrow Gas Field Transfer Act of 1984".

IN THE SENATE OF THE UNITED STATES

JUNE 14 (legislative day, JUNE 11), 1984

Mr. MURKOWSKI (for himself and Mr. STEVENS) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

---

A BILL

Entitled the "Barrow Gas Field Transfer Act of 1984".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. The following may be cited as the "Barrow Gas Field Transfer Act of 1984".

SEC. 2. (a) The Secretary of the Interior (hereinafter "the Secretary") shall convey to the North Slope Borough the subsurface estate held by the United States to the Barrow gas fields and the Walakpa gas discovery site, related support facilities, other lands, interests, and funds in accordance with the terms and conditions of the agreement, including appendix numbered 1, between the Secretary of the

Interior and the North Slope Borough dated September 22, 1983 (hereinafter "the NSB Agreement"), on file with the Senate Energy and Natural Resources Committee and the House Interior and Insular Affairs Committee, which is hereby incorporated into this Act.

(b) Upon conveyance, the North Slope Borough is authorized, notwithstanding any other provision of law, to explore for, develop, and produce fluid hydrocarbons within the lands and interests granted: *Provided,* That section 301(a) of the NSB Agreement shall not reduce revenues which would otherwise be shared with the State of Alaska under the provisions of Public Law 96–514 by providing for the disposition of gas at less than the value referred to in section 301(d) of the NSB Agreement or as a result of the crediting provisions of section 301(a)(3) of the NSB Agreement.

(c) The Barrow gas fields and related support facilities shall continue to be exempt from the Pipeline Safety Act, title 49 of the Code of Federal Regulations, and all other rules and regulations governing the design, construction, and operation of gas pipelines, wells, and related facilities.

(d) The provisions of the National Environmental Policy Act shall apply to any land conveyance under section 203(b) of the NSB Agreement. During the NEPA process, the North Slope Borough shall consult with the United States Fish and Wildlife Service, the Alaska Department of Fish

and Game, and the National Park Service concerning the fish, wildlife, cultural, and historic values of the area to be selected. The Secretary is authorized to approve or deny the selection. If denied, the North Slope Borough shall be entitled to identify an alternative site, which shall be subject to the review process set forth in this section.

(e) The North Slope Borough shall not make a selection under section 203(b) of the NSB Agreement in areas designated by the Congress or the Secretary under section 104(b) of the Naval Petroleum Reserves Production Act of 1976 for the protection of surface values, as depicted on the map set forth on page 125 of the "Final Environmental Impact Statement on Oil and Gas Leasing in the National Petroleum Reserve in Alaska" dated February 1983, or within the boundaries of the Kasegaluk Lagoon Potential Natural Landmark as identified in study report numbered 2 prepared pursuant to section 105(c) of that Act, or within any area withdrawn or designated for study pursuant to section 604 of the Alaska National Interest Lands Conservation Act.

(f) Notwithstanding the time limit specified in the NSB Agreement, the North Slope Borough shall have ten years from the date of this Act to make its selection under section 203(b) of the NSB Agreement. If, within ninety days of the expiration of the ten-year period, or after the expiration of such period, the Secretary denies any selection, the North

Slope Borough shall select an alternative site within ninety days of such denial. If an alternative site is denied, the selection and review process in this subsection shall be repeated until a site is approved by the Secretary.

(g) Notwithstanding any provision of the NSB Agreement, the North Slope Borough shall obtain the right to divert, use, appropriate, or possess water solely through compliance with applicable laws of the United States and the State of Alaska.

(h) Notwithstanding any provision of the NSB Agreement, the right of the North Slope Borough to exploit gas and entrained liquid hydrocarbons from Federal test wells in the National Petroleum Reserve-Alaska shall not apply to test wells in areas designated by the Congress or the Secretary under section 104(b) of the Naval Petroleum Reserves Production Act of 1976 for the protection of surface values, as depicted on the map set forth on page 125 of the "Final Environmental Impact Statement on Oil and Gas Leasing in the National Petroleum Reserve in Alaska" dated February 1983, or within the boundaries of the Kasegaluk Lagoon Potential Natural Landmark as identified in study report numbered 2 prepared pursuant to section 105(c) of that Act, or within any area withdrawn or designated for study pursuant to section 604 of the Alaska National Interest Lands Conversation Act.

(i) The Secretary shall process any application submitted by the North Slope Borough under section 203(d) of the NSB Agreement for a right-of-way which crosses, in whole or in part, any lands within any area designated by the Congress or the Secretary under section 104(b) of the Naval Petroleum Reserves Production Act of 1976 for the protection of surface values, as depicted on the map set forth on page 125 of the "Final Environmental Impact Statement on Oil and Gas Leasing in the National Petroleum Reserve in Alaska" dated February 1983, or within the boundaries of the Kasegaluk Lagoon Potential Natural Landmark as identified in study report numbered 2 prepared pursuant to section 105(c) of that Act, or within any area withdrawn or designated for study pursuant to section 604 of the Alaska National Interest Lands Conservation Act, under the provisions of title XI of the Alaska National Interest Lands Conservation Act. In processing any such application for a right-of-way which crosses, in whole or in part, any lands within any area designated by the Congress or the Secretary under section 104(b) of the Naval Petroleum Reserves Production Act of 1976, the protection of the values and the continuation of the uses specified in section 104(b) of that Act shall be considered to be the purposes for which the area was established.

(j) Nothing in this Act or in the NSB Agreement shall be construed as amending the provisions of the Alaska Na-

tional Interest Lands Conservation Act or as amending or repealing any other provision of law applicable to any conservation system unit, as that term is defined in section 102(4) of that Act.

SEC. 3. The Secretary of the Interior shall convey to Ukpeagvik Inupiat Corporation (hereinafter "UIC"), subject to valid existing rights, all right, title, and interest held by the United States to sand and gravel underlying the surface estate owned by UIC in the Barrow gas fields and Walakpa gas discovery site, upon execution of an easement agreement with the North Slope Borough, satisfactory to the North Slope Borough, in consideration for the conveyance to UIC of such sand and gravel, providing for easements, for all purposes associated with operation, maintenance, development, production, generation, or transportation of energy, including the transmission of electricity, from the Barrow gas fields, the Walakpa discovery site, or from any other source of energy chosen by the North Slope Borough, to supply energy to Barrow, Wainwright, and Atkasook, and providing such easements when and where required as determined by the North Slope Borough during the life of such fields or other energy sources.

SEC. 4. (a) Section 102 of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6502) is amended by adding "and the North Slope Borough" immediately after

"Alaska Natives", by deleting "and" immediately after "responsibilities under this Act,", and by replacing the period following "Alaska Native Claims Settlement Act" with ", and (4) grant such rights-of-way to the North Slope Borough, under the provisions of title V of the Federal Land Policy and Management Act of 1976 or section 28 of the Mineral Leasing Act, as amended, as may be necessary to permit the North Slope Borough to provide energy supplies to villages on the North Slope."

(b) Section 104(e) of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6504(e)) is repealed effective October 1, 1984.

SEC. 5. (a) In consideration for the relinquishment of rights that Arctic Slope Regional Corporation has under section 1431(o) of the Alaska National Interest Lands Conservation Act, Public Law 96–487, 94 Stat. 2371, 2541, to the subsurface resources in the Barrow gas fields and the Walakpa gas discovery site conveyed to the North Slope Borough and Ukpeagvik Inupiat Corporation pursuant to sections 2 and 3 of this Act, the Secretary of the Interior and Arctic Slope Regional Corporation are authorized to exchange lands and interests as set forth in the separate agreement between the Secretary and Arctic Slope Regional Corporation dated January 24, 1984 (hereinafter "the ASRC Agreement"), on file with the Senate Energy and Natural

Resources Committee and the House Interior and Insular Affairs Committee. The specific terms, conditions, and covenants of the ASRC Agreement are hereby incorporated into this Act and ratified, as to the rights, duties, and obligations of the United States and Arctic Slope Regional Corporation and as to the rights and interests of the North Slope Borough, as a matter of Federal law.

(b) Notwithstanding the provisions of paragraph 4 of the ASRC Agreement, in lieu of the additional sixty-nine thousand, one hundred and twenty acres of subsurface estate to be identified by ASRC pursuant to said paragraph 4, ASRC shall identify for conveyance or relinquishment to the United States, as appropriate, the one hundred and one thousand, two hundred and seventy-two acres of subsurface estate beneath the surface estate of the lands described in subparagraphs 2 (a), (b), and (d) of the August 9, 1983 agreement between Arctic Slope Regional Corporation and the United States of America.

(c) To the extent that any provision or interpretation of the NSB Agreement is inconsistent with the provisions of this section or the ASRC Agreement, the provisions of this section and of the ASRC Agreement shall prevail.

(d) All of the lands, or interest therein, conveyed to and received by Arctic Slope Regional Corporation pursuant to this section or the ASRC Agreement and pursuant to the

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August 9, 1983 agreement between Arctic Slope Regional Corporation and the United States of America shall, in addition to other applicable authority, be deemed conveyed and received pursuant to exchanges under section 22(f) of the Alaska Native Claims Settlement Act, as amended (43 U.S.C. 1601, 1621(f)).

○

98TH CONGRESS
2D SESSION

H. R. 5740

IN THE SENATE OF THE UNITED STATES

JUNE 19 (legislative day, JUNE 11), 1984
Received; read twice and referred to the Committee on Energy and Natural Resources

AN ACT

Entitled, the "Barrow Gas Field Transfer Act of 1984".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. The following may be cited as the "Barrow Gas Field Transfer Act of 1984".

SEC. 2. (a) The Secretary of the Interior (hereinafter "the Secretary") shall convey to the North Slope Borough the subsurface estate held by the United States to the Barrow gas fields and the Walakpa gas discovery site, related support facilities, other lands, interests, and funds in accordance with the terms and conditions of the agreement, including appendix numbered 1, between the Secretary of the

Interior and the North Slope Borough dated September 22, 1983 (hereinafter "the NSB Agreement"), on file with the Senate Energy and Natural Resources Committee and the House Interior and Insular Affairs Committee, which is hereby incorporated into this Act.

(b) Upon conveyance, the North Slope Borough is authorized, notwithstanding any other provision of law, to explore for, develop, and produce fluid hydrocarbons within the lands and interests granted: *Provided,* That section 301(a) of the NSB Agreement shall not reduce revenues which would otherwise be shared with the State of Alaska under the provisions of Public Law 96–514 by providing for the disposition of gas at less than the value referred to in section 301(d) of the NSB Agreement or as a result of the crediting provisions of section 301(a)(3) of the NSB Agreement.

(c) The Barrow gas fields and related support facilities shall continue to be exempt from the Pipeline Safety Act, title 49 of the Code of Federal Regulations, and all other rules and regulations governing the design, construction, and operation of gas pipelines, wells, and related facilities.

(d) The provisions of the National Environmental Policy Act shall apply to any land conveyance under section 203(b) of the NSB Agreement. During the NEPA process, the North Slope Borough shall consult with the United States Fish and Wildlife Service, the Alaska Department of Fish

and Game, and the National Park Service concerning the fish, wildlife, cultural, and historic values of the area to be selected. The Secretary is authorized to approve or deny the selection. If denied, the North Slope Borough shall be entitled to identify an alternative site, which shall be subject to the review process set forth in this section.

(e) The North Slope Borough shall not make a selection under section 203(b) of the NSB Agreement in areas designated by the Congress or the Secretary under section 104(b) of the Naval Petroleum Reserves Production Act of 1976 for the protection of surface values, as depicted on the map set forth on page 125 of the "Final Environmental Impact Statement on Oil and Gas Leasing in the National Petroleum Reserve in Alaska" dated February 1983, or within the boundaries of the Kasegaluk Lagoon Potential Natural Landmark as identified in study report numbered 2 prepared pursuant to section 105(c) of that Act, or within any area withdrawn or designated for study pursuant to section 604 of the Alaska National Interest Lands Conservation Act.

(f) Notwithstanding the time limit specified in the NSB Agreement, the North Slope Borough shall have ten years from the date of this Act to make its selection under section 203(b) of the NSB Agreement. If, within ninety days of the expiration of the ten-year period, or after the expiration of such period, the Secretary denies any selection, the North

Slope Borough shall select an alternative site within ninety days of such denial. If an alternative site is denied, the selection and review process in this subsection shall be repeated until a site is approved by the Secretary.

(g) Notwithstanding any provision of the NSB Agreement, the North Slope Borough shall obtain the right to divert, use, appropriate, or possess water solely through compliance with applicable laws of the United States and the State of Alaska.

(h) Notwithstanding any provision of the NSB Agreement, the right of the North Slope Borough to exploit gas and entrained liquid hydrocarbons from Federal test wells in the National Petroleum Reserve-Alaska shall not apply to test wells in areas designated by the Congress or the Secretary under section 104(b) of the Naval Petroleum Reserves Production Act of 1976 for the protection of surface values, as depicted on the map set forth on page 125 of the "Final Environmental Impact Statement on Oil and Gas Leasing in the National Petroleum Reserve in Alaska" dated February 1983, or within the boundaries of the Kasegaluk Lagoon Potential Natural Landmark as identified in study report numbered 2 prepared pursuant to section 105(c) of that Act, or within any area withdrawn or designated for study pursuant to section 604 of the Alaska National Interest Lands Conservation Act.

(i) The Secretary shall process any application submitted by the North Slope Borough under section 203(d) of the NSB Agreement for a right-of-way which crosses, in whole or in part, any lands within any area designated by the Congress or the Secretary under section 104(b) of the Naval Petroleum Reserves Production Act of 1976 for the protection of surface values, as depicted on the map set forth on page 125 of the "Final Environmental Impact Statement on Oil and Gas Leasing in the National Petroleum Reserve in Alaska" dated February 1983, or within the boundaries of the Kasegaluk Lagoon Potential Natural Landmark as identified in study report numbered 2 prepared pursuant to section 105(c) of that Act, or within any area withdrawn or designated for study pursuant to section 604 of the Alaska National Interest Lands Conservation Act, under the provisions of title XI of the Alaska National Interest Lands Conservation Act. In processing any such application for a right-of-way which crosses, in whole or in part, any lands within any area designated by the Congress or the Secretary under section 104(b) of the Naval Petroleum Reserves Production Act of 1976, the protection of the values and the continuation of the uses specified in section 104(b) of that Act shall be considered to be the purposes for which the area was established.

(j) Nothing in this Act or in the NSB Agreement shall be construed as amending the provisions of the Alaska Na-

tional Interest Lands Conservation Act or as amending or repealing any other provision of law applicable to any conservation system unit, as that term is defined in section 102(4) of that Act.

SEC. 3. The Secretary of the Interior shall convey to Ukpeagvik Inupiat Corporation (hereinafter "UIC"), subject to valid existing rights, all right, title, and interest held by the United States to sand and gravel underlying the surface estate owned by UIC in the Barrow gas fields and Walakpa gas discovery site, upon execution of an easement agreement with the North Slope Borough, satisfactory to the North Slope Borough, in consideration for the conveyance to UIC of such sand and gravel, providing for easements, for all purposes associated with operation, maintenance, development, production, generation, or transportation of energy, including the transmission of electricity, from the Barrow gas fields, the Walakpa discovery site, or from any other source of energy chosen by the North Slope Borough, to supply energy to Barrow, Wainwright, and Atkasook, and providing such easements when and where required as determined by the North Slope Borough during the life of such fields or other energy sources.

SEC. 4. (a) Section 102 of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6502) is amended by adding "and the North Slope Borough" immediately after

"Alaska Natives", by deleting "and" immediately after "responsibilities under this Act,", and by replacing the period following "Alaska Native Claims Settlement Act" with ", and (4) grant such rights-of-way to the North Slope Borough, under the provisions of title V of the Federal Land Policy and Management Act of 1976 or section 28 of the Mineral Leasing Act, as amended, as may be necessary to permit the North Slope Borough to provide energy supplies to villages on the North Slope."

(b) Section 104(e) of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6504(e)) is repealed effective October 1, 1984.

SEC. 5. (a) In consideration for the relinquishment of rights that Arctic Slope Regional Corporation has under section 1431(o) of the Alaska National Interest Lands Conservation Act, Public Law 96–487, 94 Stat. 2371, 2541, to the subsurface resources in the Barrow gas fields and the Walakpa gas discovery site conveyed to the North Slope Borough and Ukpeagvik Inupiat Corporation pursuant to sections 2 and 3 of this Act, the Secretary of the Interior and Arctic Slope Regional Corporation are authorized to exchange lands and interests as set forth in the separate agreement between the Secretary and Arctic Slope Regional Corporation dated January 24, 1984 (hereinafter "the ASRC Agreement"), on file with the Senate Energy and Natural

Resources Committee and the House Interior and Insular Affairs Committee. The specific terms, conditions, and covenants of the ASRC Agreement are hereby incorporated into this Act and ratified, as to the rights, duties, and obligations of the United States and Arctic Slope Regional Corporation and as to the rights and interests of the North Slope Borough, as a matter of Federal law.

(b) Notwithstanding the provisions of paragraph 4 of the ASRC Agreement, in lieu of the additional 69,120 acres of subsurface estate to be identified by ASRC pursuant to said paragraph 4, ASRC shall identify for conveyance or relinquishment to the United States, as appropriate, the 101,272 acres of subsurface estate beneath the surface estate of the lands described in subparagraphs 2 (a), (b) and (d) of the August 9, 1983 agreement between Arctic Slope Regional Corporation and the United States of America.

(c) To the extent that any provision or interpretation of the NSB Agreement is inconsistent with the provisions of this section or the ASRC Agreement, the provisions of this section and of the ASRC Agreement shall prevail.

(d) All of the lands, or interest therein, conveyed to and received by Arctic Slope Regional Corporation pursuant to this section or the ASRC Agreement and pursuant to the August 9, 1983 agreement between Arctic Slope Regional Corporation and the United States of America shall, in addi-

tion to other applicable authority, be deemed conveyed and received pursuant to exchanges under section 22(f) of the Alaska Native Claims Settlement Act, as amended (43 U.S.C. 1601, 1621(f)).

Passed the House of Representatives June 18, 1984.

Attest: BENJAMIN J. GUTHRIE,

Clerk.

Senator MURKOWSKI. I might add that we have testimony submitted in writing and it will become a part of the record in support of the bill by Hon. Eugene Brower, mayor of the North Slope Borough, a statement by the Arctic Slope Regional Corporation, and a statement by the Wilderness Society, all in support of the proposed bill and these will be entered into the hearing as part of the record.[1]

I would like to introduce our witnesses this morning, Mr. Doyle Frederick, Associate Director, U.S. Geological Survey, Department of the Interior, Washington, DC. He is accompanied by the Assistant Solicitor, Mr. Paul Smyth, Office of the Solicitor, Department of the Interior, Washington, DC.

Gentlemen, we welcome you to the hearing and ask you to proceed with your testimony.

STATEMENT OF DOYLE G. FREDERICK, ASSOCIATE DIRECTOR, GEOLOGICAL SURVEY, DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY PAUL SMYTH, OFFICE OF THE SOLICITOR, DEPARTMENT OF THE INTERIOR

Mr. FREDERICK. Thank you, Mr. Chairman. With your permission, we will submit for the record the prepared testimony and summarize to expedite the hearing.

Senator MURKOWSKI. Your entire testimony will be entered into the record as if read.

Mr. FREDERICK. I am Doyle Frederick, Associate Director of the Geological Survey. I am pleased to be here representing the Department of the Interior. Paul Smyth, Assistant Solicitor for Land Use, will accompany me to answer specific questions on land exchange and land use related matters.

The Department of the Interior supports the bill. We think, as you mentioned earlier, everyone is a winner as a result of the proposed legislation. I do not need to remind you of the reasons why the Geological Survey and the Department of the Interior are in this business, you covered that earlier.

Let me just say a little bit about the current situation as it relates to the Geological Survey and the Department of the Interior operation in the North Slope of Alaska. As you are well aware, the exploration program in the naval petroleum reserve, renamed the National Petroleum Reserve—Alaska has been completed. The Geological Survey is in the process of cleaning up the various sites and turning the land back to the Bureau of Land Management.

As you know, the Department also is in the process of leasing in the National Petroleum Reserve—Alaska. Therefore, our only remaining responsibility in the area is to provide gas to the local population and other components in and around the village of Barrow. We accomplish that by operating the South Barrow and East Barrow fields. We also maintain a base at the Naval Arctic Research Laboratory to support those operations.

As far as the gas use is concerned, about 75 or 80 percent is supplied to the village of Barrow. The rest is used by the other agencies in the vicinity, about 20 to 25 percent of the total. Almost all

[1] See appendix.

of that is used to keep the Naval Arctic Research Laboratory operating as a base for the Barrow operations.

Now, we think this bill is a good bill. We think it ought to be enacted quickly. We believe that it accomplishes several things. For the Federal Government, it relieves us of the responsibility for operating a gas field and subsidizing the users. For the North Slope people, it provides them with their own capability and it allows them to manage their affairs, to look at the conservation issues, to evaluate worth of development in the context of real gas costs, and it basically allows them to do the things that they need to do for themselves. So we support the bill.

The bill incorporates the provisions agreed to by the Department of the Interior and the North Slope Borough. We think those are fair and we think that will allow the village to provide the necessary services without significant interruption or significant problems in that regard.

Mr. Chairman, that concludes the summary that I would like to give. Paul Smyth and I are available to answer any questions that you may have.

[The prepared statement of Mr. Frederick follows:]

STATEMENT OF
DOYLE G. FREDERICK, ASSOCIATE DIRECTOR
GEOLOGICAL SURVEY, U.S. DEPARTMENT OF THE INTERIOR
BEFORE THE
SUBCOMMITTEE ON PUBLIC LANDS AND RESERVED WATER
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

JUNE 22, 1984

Mr. Chairman, I am Doyle Frederick, Associate Director of the U.S. Geological Survey. I am pleased to be here representing the Department of the Interior to discuss S. 2762, "The Barrow Gas Fields Transfer Act of 1984". Accompanying me is Paul Smyth, the Department's Assistant Solicitor for Land Use, who can discuss details of the land transfer and exchange provisions of the legislation.

The Department supports the enactment of S. 2762. This bill is a good bill that will accomplish a number of things that will benefit both the populace of northern Alaska and the Federal Government. Let me briefly discuss why this bill is necessary to the Department of the Interior, and specifically to the Geological Survey.

The Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6501) required the Department of the Interior, on June 1, 1977, to assume jurisdiction from the Department of the Navy over the area known as Naval Petroleum Reserve Numbered 4 in Alaska. The Reserve was renamed the National Petroleum Reserve -Alaska (NPRA). The Secretary of the Interior was directed to conduct petroleum exploration in it and carry on the duties of the Secretary of the Navy in supplying gas at reasonable and equitable rates to the Native village of Barrow, and other installations and communities near Point Barrow, including Defense Department and other Federal agency facilities.

The NPRA exploration program mandated by the Naval Petroleum Reserves Production Act has been completed, so there is much less Federal activity in the Barrow area. Therefore, the Department of the Interior is currently acting as a natural gas utility primarily for the local population, providing supplies of gas at heavily subsidized rates. We believe it is inappropriate for the Federal Government to continue such operations because the subsidy represents a burden to the taxpayers of the Nation as well as a disincentive for users to conserve energy.

S. 2762 will allow the Department to discontinue those operations by deleting the statutory requirement in the Naval Petroleum Reserves Production Act of 1976, while assuring that the local population is adequately prepared to continue natural gas production for itself. By incorporating existing transfer related agreements between the Department and the North Slope Borough, and the Department and the Arctic Slope Regional Corporation, the bill would provide force of law to the agreements.

The bill, with the incorporated agreements, would direct the Secretary of the Interior to convey to the local government entity, the North Slope Borough, the following lands and interests: the Barrow gas fields; the Walakpa gas discovery site; sand and gravel in those lands necessary for exploration, development, and production; certain associated mineral lands; related support facilities; the surface estate of the Cape Simpson DEW site; and the right to select the surface estate to 320 acres within the boundaries of the North Slope Borough. The North Slope Borough would be authorized to explore for, develop, and produce minerals from the Barrow gas fields, the Walakpa gas discovery site, and associated mineral lands.

In addition, the North Slope Borough would be provided with other sources of gas for heating and electricity, including portions of royalty gas from Federal oil and leases within NPRA. These sources would also include gas and entrained hydrocarbons from: terminated, expired, or surrendered onshore NPRA leases; nonproducing wells capable of production in NPRA with the consent of the lessee; and Federal test wells not included in leases.

The bill would also grant to the Ukpeagvik Inupiat Corporation (UIC), subject to valid existing rights, the right, title and interest now held by the United States to a portion of the sand and gravel underlying the surface estate owned by the UIC in the Barrow gas fields and the Walakpa gas discovery site.

The Federal Government would make available to the North Slope Borough up to $30 million to assist them in operating, maintaining, and developing the resources and facilities conveyed. This payment would be made in part by utilizing available funds previously appropriated to the Department of the Interior for NPRA exploration or operation of the Barrow gas fields.

In sum, we believe that the transfer of the gas fields and certain rights involved to the North Slope Borough would end the existing Federal subsidy, thereby reducing the fiscal burden on the Nation's taxpayers and encouraging energy conservation. The transfer would also allow the local population to assume more control over their own future activities. Thus, it would serve everyone's interests to expedite the conveyance described in S. 2762.

We are prepared to answer any questions you may have at this time. Thank you for holding this hearing on this important matter.

Senator MURKOWSKI. Thank you very much, Mr. Frederick. The sale includes the physical facilities in place.

Mr. FREDERICK. Yes, sir.

Senator MURKOWSKI. The actual mechanical separating, separators, whatever is left as part of the producing well, the pipelines, the compressors, all of it.

Mr. FREDERICK. It might be helpful, Mr. Chairman, for me to briefly review the context of the agreement specifically in terms of what will be conveyed to the North Slope Borough. We will convey to the North Slope Borough the South Barrow gas field and the East Barrow gas field. Those two fields are presently operating and providing gas to the village. We will also convey to them the ownership of the infrastructure that delivers the gas from the fields to the village. There is a separate infrastructure in the village that distributes it to the local community.

All of that will be conveyed, in addition to necessary supplies and equipment to run the gas——

Senator MURKOWSKI. Does that include surface and subsurface rights?

Mr SMYTH. Perhaps I can explain it. The transfer would be of the subsurface rights. The surface estate in this area is owned by the Native Village Corporation, so the Federal Government is not in a position to be transferring any of the surface estate. However, the infrastructure, of course, is in part on the surface, so we are actually transferring the equipment, the pipes, the things that are on the surface.

Senator MURKOWSKI. The infrastructure on the surface.

Mr SMYTH. That is right.

Senator MURKOWSKI. And the subsurface rights.

Mr SMYTH. Correct.

Senator MURKOWSKI. Because you do not have any rights to the surface.

Mr SMYTH. Right, at the present time.

Senator MURKOWSKI. Do you lease currently the surface from another village corporation for the infrastructure that exists on the surface?

Mr SMYTH. The United States currently has an agreement with the Village Corporation, which provides easements for the transportation of the gas across the village surface.

Senator MURKOWSKI. So as you transfer this surface infrastructure, what happens to the contractual arrangements that may be remaining with whomever the contractor or contractee relationship exists on the land, which is now, as you say, owned by a Village Corporation or one of the village corporations?

Mr SMYTH. I think you are asking me what happens to the existing relationship between the Federal Government and the Village Corporation about the access across the village lands. We have dealt with that in the agreement with the North Slope Borough and in the legislation.

The original easements obtained by the United States across the village lands were for the purpose of the exploration program that the Navy originated and that the Interior Department continued when the NPRA was transferred to the Department. So the agreement we have with the Village Corporation is restrictive in its

terms. It says that we can have this access for the purposes of this exploration program.

The North Slope Borough was concerned that we would not be able to transfer completely the access rights to them, because of certain limitations in the agreement. So what we did was agree with the Native Village Corporation that we would convey to them certain sand and gravel rights in this area and they, in turn, would agree to provide the North Slope Borough with any necessary access for the transportation of gas and the maintenance of the gasfields as needed.

So we have dealt completely with the access question and the borough should have no problem operating the gasfields just as the United States has been able to do in the past.

Senator MURKOWSKI. And this transfer does not in any way restrict access to the remaining Federal lands in the naval petroleum reserve?

Mr SMYTH. It is the Department's position that the agreement that we entered into in 1974 with the Native Village Corporation is still sufficient to give the Department full access to any functions that may be taking place on these lands.

Senator MURKOWSKI. And that is your understanding of the intent of this particular legislation?

Mr SMYTH. That is correct.

Senator MURKOWSKI. It does not in any manner or form restrict or put your access in jeopardy?

Mr SMYTH. That is our full understanding, yes.

Senator MURKOWSKI. Would it be fair to say that whatever interest the Federal Government may have in the infrastructure or the contracts, assets or liabilities are transferred over in entirety to the borough in this proposed transfer?

Mr SMYTH. That is correct.

Senator MURKOWSKI. And they have agreed to accept it under those conditions?

Mr SMYTH. Yes, they have.

Senator MURKOWSKI. One other question along that line, in the event that the needs of the Barrow area increase substantially or if there is a decline in pressure or a need for further drilling, what obligation does the Federal Government have?

Mr. FREDERICK. Mr. Chairman, we do not believe that there is further Federal obligation in that regard after the consummation of the agreement. However, that matter has been dealt with in the terms of the agreement reached between the Secretary of the Interior and the mayor.

In addition to the existing gasfield, we are transferring the Walakpa gas discovery site, which we believe has sufficient gas resources to meet future demand. In addition to that, we are also transferring capital to the North Slope Borough to enable them to continue operations and perhaps expand the capabilities in the future.

Senator MURKOWSKI. Then it is my understanding that the Federal Government would not be responsible for drilling a well to provide further gas either in the Walakpa field in either the east or south Barrow fields. Is that right?

Mr. FREDERICK. That is correct. However, we have agreed for the next few years to provide technical assistance that might be needed by the village or their contractor for operations of the gasfield or for further development.

Senator MURKOWSKI. When you say technical assistance, does that go into the existing infrastructure or would it be conceived that it could be the development of the Walakpa gasfield?

Mr. FREDERICK. It could cover either, but it would be limited to consultation by one or two of our people who are familiar with the operation and familiar with the geology of the development site.

Senator MURKOWSKI. In my opening statement, I made reference to the commitment of the Federal Government to provide gas at reasonable rates and it was acknowledged by you that it has been subsidized by about $6 million. Is that annually?

Mr. FREDERICK. It costs us about $6.3 or $6.4 million a year. We receive about $300,000 or $400,000 a year in revenue, so $6 million is the amount of the subsidy at the moment.

Senator MURKOWSKI. What do you sell gas for in Barrow?

Mr. FREDERICK. We deliver it to the distributor for 32 cents per Mcf.

Senator MURKOWSKI. Who is the distributor?

Mr. FREDERICK. BUECI.

Senator MURKOWSKI. Is that a private distribution owned by individuals or is it owned by local——

Mr. FREDERICK. It is a public utility, I believe.

Senator MURKOWSKI. So what are your costs?

Mr. FREDERICK. Our costs, Senator Murkowski, are on the order of $6 per Mcf. We deliver about 1.2 billion cubic feet a year at a cost of $6.4 million.

Senator MURKOWSKI. When you set a figure of 32 cents, was that determined to be reasonable?

Mr. FREDERICK. That figure actually has a long history. It was set by the Navy before the Interior Department assumed responsibility. As I understand it, that was a result of some fairly intense negotiations over a period of several months and it was concluded, at that point, that it was a fair and equitable rate.

We have since raised the issue of whether or not that still is fair and equitable and we have actually done some homework regarding the price. However, we decided to set that on the shelf since we had negotiated what we considered to be a reasonable agreement with the mayor.

Senator MURKOWSKI. Is there any reason to think it is going to cost the borough less than it cost you to operate the facility?

Mr. FREDERICK. Yes, we think so. We think that the borough has access to facilities that could reduce the cost.

Senator MURKOWSKI. What kind of facilities?

Mr. FREDERICK. Warehouses and housing for the people and those kinds of things.

Senator MURKOWSKI. When you say costs, are you including the cost of operation of NARL?

Mr. FREDERICK. Yes, sir.

Senator MURKOWSKI. At what level?

Mr. FREDERICK. Our estimate for the operation of NARL is somewhere on the order of $3 million the way we are operating.

Senator MURKOWSKI. It would be pretty difficult to go in and try and equate the cost of NARL. Will NARL still remain a customer of the North Slope Burough once this transfer takes place?

Mr. FREDERICK. Any remaining Federal requirements in the North Slope Borough will be met by the North Slope Borough.

Senator MURKOWSKI. Is there any requirement in here that the North Slope Borough has to sell gas at a posted rate so that they cannot charge NARL while it is owned by the Government one rate and charge the residents another?

Mr SMYTH. Yes; there is a provision that requires the North Slope Borough to provide gas to Federal Government users at nondiscriminatory rates.

Senator MURKOWSKI. What is the effect on the residents of Barrow. Has there been any consideration on behalf of the Federal Government? It is my understanding that the original requirement was that the Government make gas available at reasonable rates and we have already ascertained that the cost is $6 per Mcf against the distribution rate of 32 cents, so while we acknowledge that perhaps the borough can reduce the overhead associated with the gas distribution, one could rationally judge quite easily that the residents of Barrow are looking at a substantial increase in rates for the utilization of the gas.

How can the Government just on one hand accept an obligation to make gas available at a reasonable rate and on the other dispose of the obligation by basically getting out of the business and making it available to a local entity at a substantially higher rate? Is there an obligation or something? How do we discharge this obligation if you assume we had one, and I guess we did, because it says so?

Mr. FREDERICK. Senator, let me try to answer that in two or three parts. One is that we do have an obligation in the legislation as you described. The decision on rate structure and what is fair and equitable is left to the Secretary of the Interior's consideration, with consultation by the Federal Energy Regulatory Commission.

We have gone through the process and concluded that there is reasonable justification for a rate increase even if the Federal Government continues operation, so we believe that perhaps there will be some increase in the rates.

Senator MURKOWSKI. Some, it would appear to me there is an awful lot of room for a substantial rate increase if we are looking at a differential between $6 and 32 cents.

Mr. FREDERICK. We believe the gas field can be operated cheaper than that and so does the North Slope Borough. If we detach from NARL and if they provide their own facility, perhaps they can reduce that by $3 million or so. It does mean some increase.

On the other hand, the point that I would like to make is we expect, based on our calculations that a fair and reasonable rate for that area would be somewhere on the order of $3 per Mcf.

Senator MURKOWSKI. $3 is a fair rate?

Mr. FREDERICK. Yes.

Senator MURKOWSKI. Then I would have to ask you why you considered 32 cents to be a fair rate?

Mr. FREDERICK. We did not consider 32 cents.

Senator MURKOWSKI. I see. Well, it says somewhere that the rates have to be fair and reasonable and 32 cents was the prevailing rate and one can only assume that it was set at a fair and reasonable rate. But evidently that is not correct.

Mr. FREDERICK. We believe that it is reasonable to consider a price increase. To emphasize that again, we set that on the shelf because we had reached an agreement with the mayor.

Senator MURKOWSKI. If you were going to stay in the gas business, then you are saying you would cut your subsidy in half?

Mr. FREDERICK. We would go for a rate increase that ranges from $2.50 to close to $3.

Senator MURKOWSKI. What other consideration is part of this transfer?

Mr. FREDERICK. There are several land exchanges that Paul Smyth can describe to you.

Mr. SMYTH. Senator, as far as what the North Slope Borough would receive, they would receive, as you can see there on the map, the surface estate at the Cape Simpson early warning site, which is no longer in use by the Federal Government. They would also receive a selection——

Senator MURKOWSKI. What is the relationship of the Cape Simpson area to the Barrow gas distribution system?

Mr. SMYTH. There is none, but this may go back to your previous question somewhat, which pertained to the Federal Government placing the gasfields in the possession of the borough and then having the borough have to charge those higher rates to the local population. The purpose of the Cape Simpson site and the other 320-acre selection that they will get is——

Senator MURKOWSKI. Where is the other selection?

Mr. SMYTH. It is a selection right. It can be anywhere within the political area of the North Slope Borough with certain restrictions. For example, it cannot be in various fragile areas designated in the Naval Petroleum Reserve Production Act of 1976, certain other fragile areas designated by the Secretary under that act.

Senator MURKOWSKI. Could it be in the Prudhoe Bay area?

Mr. SMYTH. It could not be in the Trans-Alaska pipeline corridor. Let me just refer to the document for a second.

Mr. FREDERICK. While he is referring to that, we have representatives from the North Slope Borough here who can clarify some of your questions on their intentions as far as pricing if you wish to call on them.

Mr. SMYTH. The 320-acre selection may be selected from Federal lands located within the exterior boundary of the North Slope Borough lying west of the Canning River, but not including lands within any conservation system units, nor lands within the inner corridor of the Trans-Alaska pipeline system or lands to which there is a prior valid claim for title. So it could be within the Prudhoe Bay area if it does not fall within any of these other restrictions.

Senator MURKOWSKI. Why does the Secretary of the Interior recommend areas that are not adjacent to the specific request which is a transfer of the Barrow gasfield?

Mr. SMYTH. This gets back a little bit to your earlier question, Senator. You were saying it seems strange that the United States

would be conveying the gasfields and it costs the United States $6 an Mcf to produce it and yet we are only selling it for 32 cents, is not the borough going to have to increase the cost? My understanding is that the borough intends to, in effect, subsidize its users to some extent from income it receives from use of the Cape Simpson area and the 320-acre selection site.

Senator MURKOWSKI. So there is basically a carte blanche subject to some restrictions on the 320-acre site wherever there is any activity on the North Slope, that just goes with this.

Mr. SMYTH. That is correct.

Senator MURKOWSKI. And then the Cape Simpson area was designated for reasons I assume associated with the possibility of some activity and this was consideration given by the Government in order to reduce the Government's obligation to provide gas at a price, and I will not use the word "reasonable" any more.

Mr. SMYTH. That is correct.

Senator MURKOWSKI. So this more or less sweetened the pot.

Mr. SMYTH. That is correct. This original agreement was developed over about a year and a half.

Senator MURKOWSKI. You do not think you could have sold it to them without that additional consideration?

Mr. SMYTH. Given the negotiating process, this is the result.

Senator MURKOWSKI. Is this your terms or their terms?

Mr. SMYTH. It was mutual.

Senator MURKOWSKI. I see. Do you have any right of refusal on this other area that is floating around out there if you feel it is in the best interest of the Federal Government that it be retained? Can you retain it or how does this process of selection work, if they decided they want 320 acres some place?

Mr. SMYTH. As part of the further negotiations that we had with various environmental groups on this legislative package, the authority of the Secretary to deny a 320-acre selection was written into the legislation and the provision, just for your information, is——

Senator MURKOWSKI. This is for the record.

Mr. SMYTH. Section 2 of the act, and it does provide the Secretary with authority to deny a selection. The act would require the North Slope Borough to consult the Fish and Wildlife Service, the National Park Service, and with the State of Alaska, before making that selection. So presumably the Secretary would have the advice of the National Park Service and the U.S. Fish and Wildlife Service to use in deciding whether or not to permit any particular 320-acre selection.

Senator MURKOWSKI. Then is it my understanding that the Secretary of the Interior can reject any and all requests for a specific selection if he does not, if he chooses for a reason not to?

Mr. SMYTH. That is correct.

Senator MURKOWSKI. And if the selection is made, it has to be in accordance with approval of various agencies, including the State of Alaska?

Mr. SMYTH. It does not say approval, Senator. It says in consultation with, but, of course, if there were a strong objection, perhaps by the Park Service or by the State of Alaska, the Secretary would be permitted to take that into consideration.

Just to clarify one point, if the Secretary were to deny a 320-acre selection, this would not void the borough's selection right; they would be permitted then to select another site and the same process would be followed.

Senator MURKOWSKI. Has there been full disclosure on the terms of this consideration in the sense that it has been publicized in the public record, so that any objections to this could have been heard at an appropriate opportunity?

Mr. SMYTH. My understanding is that that is correct.

Senator MURKOWSKI. My question is have the agreements been published in the Federal Register?

Mr. SMYTH. No, they have not.

Senator MURKOWSKI. What is the appropriateness of that? All right, we will put them in. Is there any objection to having them put in as part of the record of this hearing?

Mr. FREDERICK. No objection.

Mr. SMYTH. No objection.

Senator MURKOWSKI. Any objection from any of the other parties that are interested? All right, then they will be included as part of the public record and I also intend to put in the NSB agreement in the record, North Slope Borough/U.S. agreement, the U.S.-ASRC agreement, and I am going to try to get a copy of the map available for the record as well.

Mr. FREDERICK. Mr. Chairman, I believe all of those are also recorded in the House report, sir.

Senator MURKOWSKI. What other consideration has there been in this sale, transfer?

Mr. SMYTH. I think I can address that, Senator. The borough does get other rights to gas in the NPRA. For purposes of local community use, the borough may have access to gas from certain Federal test wells and from wells on surrendered leases in NPRA and also may make arrangements with existing lessees, Federal lessees, in NPRA for gas that they are not currently producing.

Senator MURKOWSKI. From lands other than indicated on the map?

Mr. SMYTH. Exactly, we are talking from the entire NPRA.

Senator MURKOWSKI. How would that gas be transmitted, transferred?

Mr. SMYTH. Well, the agreement calls for the borough to incur the expense of transporting the gas. So as far as the Federal Government is concerned, we would have no obligation in transporting that gas to the villages in the area. This is a right that the borough gets to gas.

Senator MURKOWSKI. Does the Federal Government sell this gas or make it available free or what?

Mr. SMYTH. We sell it. We have been leasing in NPRA and there are many gas lessees up there. It has been currently uneconomical for those lessees to produce the gas, since there is not a gas pipeline or any way to get the gas off of the North Slope. Because it is uneconomical, really the gas is not going to be used unless it can be used locally.

Senator MURKOWSKI. Let's assume they build a gas pipeline in the vicinity. Could the North Slope Borough then go to the Federal

Government, who has these gas leases, and get that gas by putting it in the infrastructure or is there something that prohibits that?

Mr. SMYTH. Yes, section 301(a)(3) of the agreement says that the borough, with the consent of the lessee may exploit and use gas from nonproducing wells capable of production, including capped wells, in Federal oil and gas leases within NPRA. Presumably, when the wells are in production, say, if the pipeline were built to bring this gas from the North Slope to other portions, southern Alaska or to the lower 48 States, that these wells then would be producing wells and the provisions of this section of the agreement would not apply to them.

Senator MURKOWSKI. I am a little confused over that reference, because I gather from your testimony that they can call on these reserves if they are put in the infrastructure, but I am not sure whether it is for local utilization or for some other purpose.

Mr. SAGALKIN. Senator Murkowski, my name is Sanford Sagalkin. I am a Washington, DC lawyer for the North Slope Borough. These access to gas provisions were to help any of the villages in the NPRA that might be adjacent or near the gas. If any of these gas leases, if any of these oil and gas leases come into production in NPRA, for example, under 301(a)(1), we have a right to buy royalty gas, which would be set at the wellhead price if there were a wellhead price.

Senator MURKOWSKI. Who would transmit the gas?

Mr. SAGALKIN. If the oil and gas field were in production and if the gas were being lifted, we would buy it at the wellhead and make our own arrangements for transporting it to wherever it, Barrow, any of the villages for consumption.

Senator MURKOWSKI. For consumption. You could not buy it and then turn around and put it in the pipeline?

Mr. SAGALKIN. That is right, unless it were our own pipeline for local consumption.

Senator MURKOWSKI. Well, you could take gas from South Barrow or East Barrow or Walakpa and commercially do anything you want with that gas, assuming there was any gas to meet your requirements.

Mr. SAGALKIN. I am not sure there is a limitation, but it would be uncommercial to ship it any place outside of that immediate area. Potentially it could be used as an energy source for, say, Wainwright, but, again, that is local consumption for the villages. There are several accesses to gas provisions in section 301 of the agreement. The only one where we pay the full price is where there is a wellhead price. In the other situations, they all pertain to royalty gas and the Borough pays a rate, which is the formula in the present NPRA Act, which established the reasonable and equitable price.

Senator MURKOWSKI. When you make reference to that, what rate would you pay for this gas? Would it be a rate comparable as a commercial production well, if there were a market for it?

Mr. SAGALKIN. Probably not.

Senator MURKOWSKI. I think the gentleman from the Interior, Mr. Smyth, indicated that it would be sold at wellhead and then you would have the transmission cost from there, but the question is do you have an option in this contract to receive that gas at a

preferential rate or not? When I say preferential, I mean what the Federal Government would ordinarily sell to if there were a market for it.

Mr. SAGALKIN. There are basically two situations. One is where there is production and that would be based on an assumption that you have commercial quantities of gas that you could sell at markets.

Senator MURKOWSKI. I am making that assumption.

Mr. SAGALKIN. In that case, we would be paying market rates at the wellhead. In all other situations, we are really talking about noncommercial quantities that are not being lifted; they are in the ground, because no one is producing. In that case, it is going to be very expensive for the Borough to exploit that gas and it would be probably extraordinary for us to do so if it were not being lifted by somebody else.

So in that case, the rate is set at a preferential rate, as you say, since it is not going to go anywhere if the Borough does not use it. The maximum rate that can be charged is the formula that is now in effect that is used for setting the gas rates at BUECI. We are really talking about small amounts that are clearly uncommercial.

Senator MURKOWSKI. Is that your understanding, Mr. Frederick and Mr. Smyth?

Mr. FREDERICK. Yes, that is my understanding.

Mr. SMYTH. That is correct.

Senator MURKOWSKI. I am interested in this preferential rate. This is for noncommercial other than local utilization of gas.

Mr. FREDERICK. Yes, sir, that is correct, and, specifically, those cases would include the instances of an expired or surrendered lease, as an example, which perhaps has gas, but is not commercial. It could be a nonproducing well that had been capped in NPRA, as an example, or there perhaps have been some Federal test wells that have been drilled or would be drilled.

Senator MURKOWSKI. Let's assume a hypothetical case that the transfer of these fields takes place and there is an oil find in one of the fields and it is commercial quantities and it is decided in the process of recovery they want to use gas reinjection and they do not want to deplete their existing reserves and they come over to these quasimarginal fields that are discoveries that have been made and are capped currently, is it the intention of this legislation that that gas be made available at a preferential rate or a market rate?

Mr. FREDERICK. Mr. Chairman, I do not believe it is the intention of this bill to address that specific issue. I am not sure that there is anything in the bill that actually prohibits it, but I do not believe it is the intent to address that issue.

Senator MURKOWSKI. To address it. I am asking specifically a question that could theoretically amount to a utilization of an awful lot of Federal gas at rates potentially less than market.

Mr. SAGALKIN. Senator, the amount of gas we are talking about is so tiny compared to what would be found in any commercial field that it would never even be noticed. It would be like a leak in a pipeline. That is in a field that is under production. And in a field under production, if there is production of the gas, there is

going to be a wellhead rate for the gas and we pay the wellhead rate.

Mr. FREDERICK. Senator, I would like to emphasize one additional point. I believe that the legislation does not provide for the automatic claiming of that gas by the North Slope Borough. I believe that would be the subject of negotiation with the Secretary of the Interior, if it happens to be the Secretary of the Interior's gas, or with the lessee if the lessee still owns the gas.

So, I think the situation to which you refer can be dealt with on that basis.

Senator MURKOWSKI. I would like to get more of an intent from the Department of the Interior on how they interpret this contract with regard to the hypothetical case which I just made.

Mr. FREDERICK. I can give you that fairly clearly. The intent of the Department of the Interior in this regard was to provide backup sources of gas in the event there was a requirement specifically for internal use by the people of North Slope. That is the intent.

Senator MURKOWSKI. As opposed to a commercial use that would be divorced from the general welfare of the people and in the hypothetical case which I made, it would be the intention of the Federal Government to sell at a commercial rate rather than a preferential rate.

Mr. FREDERICK. Yes, sir.

Mr. SMYTH. Senator, the agreement says that for purposes of ordinary consumption for heating and electricity by the village population of the North Slope Borough.

Senator MURKOWSKI. I am sorry, would you repeat that?

Mr. SMYTH. The agreement says that this gas would be provided for purposes of ordinary consumption for heating and electricity by the village population of the North Slope Borough. So in the hypothetical that you posed this would not be triggered.

Senator MURKOWSKI. My purpose is an obvious one. I want to make sure on the record we get the intent, so there is no confusion. What other consideration is in this transfer?

Mr. SMYTH. Now departing from the North Slope Borough's consideration, we have conveyed, of course, the subsurface estate at the gasfields. We have conveyed the Walakpa discovery site and we have conveyed to the Village Corporation, sand and gravel in order to assure the borough access.

Senator MURKOWSKI. Are these sand and gravel subsurface rights limited to the areas we are referring to?

Mr. SMYTH. It is limited to the surface estate, the surface owned by the Village Corporation at Barrow UIC.

Senator MURKOWSKI. Is it the gravel in these areas in the gasfields or is it the gravel outside of these areas?

Mr. SMYTH. I have another map, Senator, and I can explain it, I think, if I get that out.

Senator MURKOWSKI. I would like to have a copy of the maps for the record too.

Mr. SMYTH. Senator, the gasfields are inside the black markings and the surface estate owned by the Village Corporation is in the red. The Village Corporation will be able to get sand and gravel anywhere within the red area and this was the consideration made

by the Federal Government to ensure that the North Slope Borough would have surface access for operations on the gasfields in the Walakpa discovery site and to transport gas from the gasfields in the Walakpa discovery site to the village population.

Senator MURKOWSK.. So the Federal Government transferred the surface gravel rights to the entire area?

Mr. SMYTH. That is right.

Senator MURKOWSKI. Including the fields?

Mr. SMYTH. Including the fields themselves. So say if the gravel were in a point outside of the Barrow gasfields specifically, that could still be used by——

Senator MURKOWSKI. How about the Cape Simpson area?

Mr. SMYTH. That is just a surface right to the North Slope Borough.

Senator MURKOWSKI. Are there gravel considerations that go with Cape Simpson?

Mr. SAGALKIN. Yes, sir, there are.

Senator MURKOWSKI. How about the gravel at this unknown area, the 320 acres?

Mr. SMYTH. That would also include the sand and gravel.

Senator MURKOWSKI. Does the sand and gravel go with the acreage associated with Cape Simpson and is it limited to that acreage?

Mr. SMYTH. Yes.

Senator MURKOWSKI. Does the carte blanche 320 acres that are yet to be selected, does that selection involve the same land for both the respective subsurface rights and surface rights?

Mr. SMYTH. It is just a surface selection.

Senator MURKOWSKI. It is just a surface selection, so it would not—it is a subsurface selection in as much as it is a carte blanche for gas, so it would be subsurface.

Mr. SMYTH. Let me clarify, the 320-acre selection is of the surface estate and includes sand and gravel. It does not include the subsurface estate oil and gas rights.

Senator MURKOWSKI. OK, so that is only a surface right that they can select with the permission of the Secretary of the Interior.

Mr. SMYTH. That is correct.

Senator MURKOWSKI. What was the justification for making such a broad transfer of gravel into the entire area?

Mr. SMYTH. Well, Senator, there is not a whole lot of sand and gravel up there to my understanding.

Senator MURKOWSKI. There might not be very much in those areas that you have included.

Mr. SMYTH. That is right.

Senator MURKOWSKI. Why do you include areas where there is no sand and gravel?

Mr. SMYTH. As I said, this red line is the entire surface ownership of the Native Village Corporation UIC. And the reason we included the entire area is that this is their surface estate and basically they asked us for any sand and gravel that may exist anywhere on their surface estate.

Senator MURKOWSKI. Well, didn't they have it in every place but the areas that are covered in the proposed fields?

Mr. SMYTH. Could you repeat the question please?

Senator MURKOWSKI. Didn't they in effect have those rights in all of the other areas with the exception of the fields that we are talking about transferring?

Mr. SMYTH. No; under the Alaska Native Claims Settlement Act, sand and gravel was treated as a subsurface right, so when the Interior Department conveyed the surface estate to UIC, they did not get the sand and gravel. All of the sand and gravel was retained by the United States. There is not a whole lot of sand and gravel up there. They wanted whatever sand and gravel existed on their lands and that was, in effect, the consideration for UIC ensuring complete access to the North Slope borough for operation of the Barrow gas fields.

Senator MURKOWSKI. And the Federal Government does not know what sand and gravel reserves it had that it is giving up.

Mr. SMYTH. That is correct. I do not think we have done any kind of appraisal or anything like that, but generally we feel that there is not a tremendous amount of sand and gravel in the area.

Mr. FREDERICK. Mr. Chairman, we have made no formal appraisal of sand and gravel resources in the area, but we do feel that they are limited.

Senator MURKOWSKI. One more point, the sand and gravel resource of Alaska far exceed in value all of the other metals that have been taken out of the ground, so it is a very valuable resource.

Mr. FREDERICK. Yes, sir, one more point, in the area of the Cape Simpson and the additional selection site, the use of sand and gravel there is limited to purposes for operating the site and it is not to be used for commercial purposes, specifically in the agreement, as I understand it, in those two selections.

Mr. SAGALKIN. Senator—excuse me, Mr. Frederick, but I believe that the right to sand and gravel in the two 320-acre sites is limited to use within NPRA. I will have to check that.

Mr. FREDERICK. This says not for commercial purposes.

Mr. SAGALKIN. Not for sale or exchange.

Senator MURKOWSKI. Not for sale or exchange.

Mr. SAGALKIN. We cannot go into the business of selling gravel.

Senator MURKOWSKI. What would be the other purpose of going out and selecting 320 acres at random?

Mr. SAGALKIN. I am glad you asked. The purpose of those two sites is for, they are basically revenue producers, potential revenue producers to the North Slope Borough that we could use as additional funds to make sure that the gas rates stay the same and make sure that we can keep maintaining the gas fields and all of that. It will be used as potential service bases for the exploration and/or development of oil and gas inside NPRA or offshore. The Cape Simpson site is adjacent to——

Senator MURKOWSKI. The Cape Simpson site is where you have the subsurface gas and gravel.

Mr. SAGALKIN. No; Cape Simpson and the 320-acre other site are both—they are not gas sites. They are revenue producers to be used for supporting oil and gas development. And the sand and gravel would be used in all likelihood to develop an oil and gas support facility.

Senator MURKOWSKI. So it would not be for commercial sale?

Mr. SAGALKIN. No; absolutely not.

Senator MURKOWSKI. It could be in the proposed transfer site of the Barrow area here; you can do anything you want with that. That could be commercial, the transfer.

Mr. SAGALKIN. I do not think there is any limitation on the Barrow gas fields. They are ours without restriction.

Senator MURKOWSKI. And the additional area that is included.

Mr. SAGALKIN. And the additional area, but if there are 30 trillion cubic feet in Prudhoe, it is unlikely that we are——

Senator MURKOWSKI. I am referring specifically to the gravel. The gravel could be sold commercially in that area.

Mr. SAGALKIN. That is UIC's gravel. Yes, that is correct.

Mr. FREDERICK. That is correct.

Mr. SAGALKIN. They can be in the gravel business.

Senator MURKOWSKI. What additional consideration is there that we have overlooked?

Mr. SMYTH. Senator, I do have a clarification, when I was up at the map, I was not able to quickly look down at the legislation. The sand and gravel conveyance to UIC is limited only to the gas fields and the Walakpa discovery site, so on that map UIC would not receive gravel inside all of the red area. It would only be the areas enclosed in black. So I beg your pardon for misleading you on that point.

Senator MURKOWSKI. And that gravel is still retained in the other areas by the Federal Government.

Mr. SMYTH. That is correct.

Senator MURKWOSKI. I see. That was contrary to your previous statement.

Mr. SMYTH. That is right. I am glad we made the clarification.

Senator MURKOWSKI. Do you agree with that?

Mr. SAGALKIN. I believe that that is correct. That is the way the legislation reads. There is not a UIC representative here, but that is what it appears.

Senator MURKOWSKI. It looks like the Federal Government just picked up a little and the North Slope Borough lost a little. Is that right?

Mr. SAGALKIN. One other thing, Senator, and that is talking about the use of gravel up in these areas. It is my understanding from Mr. Smythe, Tom Smythe, that beyond 3 to 5 miles the gravel becomes uneconomical in terms of the haul.

Senator MURKOWSKI. Uneconomical.

Mr. SAGALKIN. Uneconomical.

Senator MURKOWSKI. Would you identify for the record Mr. Thomas Smythe?

Mr. SAGALKIN. Thomas Smythe is the Federal liaison officer for the North Slope Borough in Washington, DC.

Senator MURKOWSKI. I see. Any other consideration?

Mr. SMYTH. We have now talked about the consideration to the Borough and to UIC, the Native Village Corporation. We now need to talk about consideration to the Arctic Slope Regional Corporation, which is the Native Regional Corporation in the area. Under Section 1431(o) of ANILCA, that is the Alaska National Interest Lands Conservation Act, ASRC received a right to exchange lands

for subsurface estate within the National Petroleum Reserve Alaska.

This exchange right is triggered by oil and gas leasing in NPRA by the Secretary of the Interior. Such leasing has occurred and now ASRC's rights under 1431(o) have triggered. They could exercise these rights to exchange for the Barrow gas fields and also for the sand and gravel in the Barrow gas fields.

Senator MURKOWSKI. These would be the east and the west and the——

Mr. SMYTH. And the Walakpa.

Senator MURKOWSKI. And the Walakpa, but it does not have anything to do with the gravel.

Mr. SMYTH. Well, the gravel is a subsurface right and so they came to us and said, look, the gravel is something we also would have obtained had we exercised our exchange rights.

Senator MURKOWSKI. So, this could be exchanged from the Borough to the regional.

Mr. SMYTH. This could be exchanged from the United States to the Arctic Slope Regional Corporation. You need to keep the Borough, which is the municipality, separate from the regional.

Senator MURKOWSKI. I know, but this proposed transfer is to the Borough now.

Mr. SMYTH. Right, but what I am saying is the United States is, therefore, conveying to the Borough subsurface estate which ASRC would have a right to exchange for under 1431(o) of ANILCA. In other words, ASRC could interpose an objection to this entire deal.

Senator MURKOWSKI. Would you repeat that?

Mr. SMYTH. ASRC could interpose an objection to this entire deal by saying——

Senator MURKOWSKI. Well, they are already in favor of it.

Mr. SMYTH. This is how we got them in favor of it. The further considerations I am about to describe to you were needed in order to gain ASRC's approval of the deal. So under 1431(o) they could have exchanged for the Barrow gas fields including the sand and gravel there.

Senator MURKOWSKI. They could have exchanged?

Mr. SMYTH. Yes.

Senator MURKOWSKI. The Regional Corporation could exchange, can exchange, we should say, right?

Mr. SMYTH. The statute, the way we have interpreted it, it appears to give a right to Arctic Slope to make this exchange. It is not something that the Secretary has discretion to deny.

Senator MURKOWSKI. So far we have concluded that the Regional Corporation in order to induce them to——

Mr. SMYTH. To not oppose the transfer.

Senator MURKOWSKI. Just a minute. In order to induce them to support this, have the right to specifically do what?

Mr. SMYTH. To exchange land outside of NPRA for subsurface estate inside of NPRA. The Barrow gas fields are subsurface estate inside NPRA. This exchange right was triggered when the Secretary began leasing in NPRA.

Senator MURKOWSKI. This is equal in land area to what, to exchange of how much?

Mr. SMYTH. It is not an unlimited exchange right, it is just lands underlying a village surface.

Senator MURKOWSKI. Now under the equal to the village?

Mr. SMYTH. It does not have to be equal to it if they do not want to exchange for all of it.

Senator MURKOWSKI. What is the maximum exchange that the Regional Corporation could come in here and request an exchange with the Federal Government?

Mr. SMYTH. The entire area beneath the Village Corporation land, so that is your entire area included in the red line on the map.

Senator MURKOWSKI. Why would it go beyond the area being transferred by the gas field itself?

Mr. SMYTH. They have the right to exchange for the entire subsurface estate underlying Native Village Corporation lands, so it extends beyond the gas fields. They may not—I do not want to speak for the policymakers in ASRC, but if they did not think there were valuable minerals outside of the gas fields, they just would not exchange for those lands.

They do know that the Barrow gas fields are a valuable mineral right and that for the Federal Government to be conveying these away to the Borough, they feel they have, in effect, lost a valuable exchange right.

So, what we did to, in effect, compensate them for their lost exchange right was to conduct an exchange. The United States will receive 101,000 acres in the Gates of the Arctic Park and 69,000 acres of subsurface estate on the North Slope of Alaska in exchange for Arctic Slope Regional Corporation giving up its 1431(o) exchange rights to Barrow gas fields and the sand and gravel, and the conveyance to ASRC of the lands you see marked in green on the map. Those are three townships of lands. ASRC will receive both the surface and the subsurface estate.

Senator MURKOWSKI. This is the exchange then, the determined exchange?

Mr. SMYTH. Right.

Senator MURKOWSKI. It is not a free exchange to some other area. What has taken place then is that in the transfer the Arctic Slope contends that they have lost this acreage, so to speak, to the Borough and want consideration in lieu of, and that consideration is the extended green line.

Mr. SMYTH. That is correct.

Senator MURKOWSKI. And that moves into Naval Petroleum Reserve No. 4 and they would receive subsurface rights on that——

Mr. SMYTH. And surface in the green.

Senator MURKOWSKI. And surface, both. Is that the extent of their consideration on the exchange, land exchange?

Mr. SMYTH. Yes, that is the extent of their consideration.

Senator MURKOWSKI. Now, you mentioned Gates of the Arctic.

Mr. SMYTH. Yes; conceptually, what we attempted to do was to follow the general theory of 1431(o) and we in effect conducted or developed an exchange. As I explained, 1431(o) is a right to an exchange of lands.

Senator MURKOWSKI. So the Regional Corporation would give up certain lands in Gates of the Arctic for this?

Mr. SMYTH. That is correct.

Senator MURKOWSKI. And these lands have been identified and this is not an optional proposal.

Mr. SMYTH. If the package is enacted, there is no longer an option; this would be the deal.

Senator MURKOWSKI. And that is the extent of the consideration for the Arctic Slope Regional Corporation.

Mr. SMYTH. That is correct.

Senator MURKOWSKI. What other consideration is there in this transfer?

Mr. SMYTH. To the best of my knowledge, that is all, Senator.

Senator MURKOWSKI. There has been no mention of a monetary consideration.

Mr. SMYTH. Back to the Borough now, the Borough would also receive up to $30 million that would, and the Borough representative can perhaps explain better to you how they intend to utilize the $30 million, but again, this was part of the entire package of negotiations that occurred and as you touched on earlier, the borough is going to have to subsidize the gas to its citizens to some extent. I believe they intend to use the $30 million in part to provide some of that subsidy.

Senator MURKOWSKI. So there are no strings attached to this $30 million?

Mr. SMYTH. Well, they have to report to us how it is spent.

Mr. FREDERICK. And also it is to be conveyed for the purpose of operating the gas field and for the development of additional gas as required.

Mr. SMYTH. The agreement says "The Borough shall annually provide the Secretary with written notification that the money, including interest thereon, has been spent for the purpose of supplying natural gas or electricity to the population of the North Slope Borough."

Senator MURKOWSKI. What happens if you do not like the way they spent it?

Mr. SMYTH. Unless we can show that the agreement, and hence the law, was violated, there is not much we can do about it. But if we can make a legal case that they are spending money in violation of the agreement, we could——

Senator MURKOWSKI. Well, if all I have to do is report how they spent it, that does not seem to give much of a position.

Mr. SMYTH. The agreement says that the money is paid to the North Slope Borough—well, perhaps all we really have is a requirement and the requirement is that they provide us written notification that it is used for these purposes.

Mr. FREDERICK. I think it would be up to the Department of the Interior to challenge that.

Senator MURKOWSKI. Well, you represent the Department of the Interior.

Mr. FREDERICK. And it would be the intent of the Department to review the report and subsequently deal with it accordingly.

Senator MURKOWSKI. Let's assume they went out and used the money to expand the gas fields. Would that be legitimate?

Mr. FREDERICK. That would be a legitimate expense.

Senator MURKOWSKI. Even though the price of gas might be $6?

Mr. FREDERICK. Yes, sir.

Senator MURKOWSKI. So really they have pretty much the discretion totally of what to do with that $30 million.

Mr. FREDERICK. They have a great deal of discretion, Senator, in that regard.

Mr. SMYTH. In the context of providing, in supplying natural gas and electricity to their people.

Senator MURKOWSKI. How was the $30 million arrived at?

Mr. FREDERICK. That was a negotiated figure with the North Slope Borough.

Senator MURKOWSKI. Where did we start in our negotiation from the standpoint of the Department of the Interior as compared to North Slope?

Mr. FREDERICK. We started at zero.

Senator MURKOWSKI. Where did they start?

Mr. FREDERICK. I am not sure. I was not specifically involved in the original negotiations, so I am not sure. They perhaps started pretty close to $30 million and made the case for $30 million, both in terms of the cost of the operation, potential for further development and the basic needs for the people.

Senator MURKOWSKI. And there is nothing in this agreement that would preclude the North Slope Borough from utilizing this entire 30 million, to subsidize the shortfall, which we have ascertained at least under the Government operation at $6 millioj subsidy a year for 5 years if they so chose. Is that correct?

Mr. FREDERICK. That is correct. I do not think they intend to do it quite that way.

Senator MURKOWSKI. What is the general condition of the fields from the standpoint of what—what does the Government carry of value? There must be some method in which you have to value this particular asset of the Federal Government that you are transferring.

Mr. FREDERICK. Mr. Chairman, let me answer the first question first. The conditions of the field are good. We have just brought on line, 2 years ago, I believe, the east Barrow gas field and that is up to standards—let me ask Jim Devine to join us. He can give us the date on the value.

Senator MURKOWSKI. Mr. Jim Devine, would you identify yourself?

Mr. DEVINE. I am James Devine, assistant director, Geological Survey. The estimated, the first part of your question was the condition of the field and the answer to that is that the conditions of the fields are very good.

Senator MURKOWSKI. And these are the south Barrow and the east which are the only producing fields?

Mr. DEVINE. Yes; the east Barrow field is a relatively new field that we have developed and put on line in 1981. It is a state of the art field. It cost approximately $50 million plus.

Senator MURKOWSKI. $50 million?

Mr. DEVINE. Yes; to bring on line. That is to drill and develop and produce. It is state-of-the-art category, first-class field. The South Barrow field is an old field developed by the Navy. We have made some considerable modifications to bring it up to date. It is a good field, but it is an old field.

Senator MURKOWSKI. When was that developed initially?

Mr. DEVINE. Initially it was started in the late forties, developed by the Navy over those years, between 1945 and 1975.

Senator MURKOWSKI. What is the development cost in that?

Mr. DEVINE. I do not know, because it was carried on as an adjunct to the exploration program and the operation of NARL and the moneys identified for the specific development of the field were never really broken out from other operating costs. So it is not possible to ascertain the specific cost for developing the South Barrow.

Senator MURKOWSKI. When you give me the development cost, you are including the infrastructure on the surface.

Mr. DEVINE. Yes, I am.

Senator MURKOWSKI. And the drilling cost and so forth, but not necessarily the operation cost.

Mr. DEVINE. That is correct.

Senator MURKOWSKI. So we are talking about transferring East Barrow $50 million plus and we do not have a figure on the South Barrow.

Mr. DEVINE. That is correct, Mr. Chairman.

Senator MURKOWSKI. Are there any other values, identifiable values associated with the South and East Barrow fields that we have not——

Mr. DEVINE. Yes, sir. There are some surface buildings, rolling stock, spare parts.

Senator MURKOWSKI. Would that not be under development costs?

Mr. DEVINE. No, sir, we have not listed them that way. These are additional values that we have identified. For example, a portable drilling camp that sits at the South Barrow field now, we are making available as part of the deal and some spare parts, additional drilling supplies should they have to develop additional wells.

Senator MURKOWSKI. What are the value of these?

Mr. DEVINE. Approximately $2 million.

Senator MURKOWSKI. What does the Federal Government value both these fields at, roughly?

Mr. DEVINE. Value is a hard thing to determine, because you need to compare it against something. The value to the Federal Government, as we leave, is virtually zero and the value to the North Slope Borough, of course, is very high, because of their need for it.

Senator MURKOWSKI. If you were carrying it at a value, what do you carry it at? What does the Government carry this at value? It has to carry it for what it has in it.

Mr. DEVINE. Yes, and that would be the value that we just mentioned. The value of the gas itself would be at zero. As you know, there is a lot of gas on the North Slope which has no market.

Senator MURKOWSKI. That is true, but you cannot associate necessarily that it has no value.

Mr. DEVINE. We have not carried a value for the gas itself. The value we have identified are those costs of the surface facilities——

Senator MURKOWSKI. Which associate how much? $50 million you said was the east field and you said a couple of million in materials and spare parts, drilling rigs, and so forth.

Mr. DEVINE. And the South Barrow field at some undetermined value because of its long history.

Senator MURKOWSKI. What about the Walakpa? What is the value? When you are negotiating, you negotiate on the basis of value of some sort and consideration on behalf of the party you are negotiating with.

Mr. DEVINE. Yes. The estimate of the value of the South and East Barrow gas fields is that they are noncommercial and therefore they do not have an intrinsic value beyond the cost of development.

Senator MURKOWSKI. Why would the private sector carry its gas fields as an asset and the Government carry theirs at no value?

Mr. DEVINE. Because these are not large enough to be of commercial value.

Senator MURKOWSKI. Are you satisfied that the Walakpa gas discovery field has been determined to be limited to what discoveries have been made or is there a potential for future discovery?

Mr. DEVINE. The extent and size and, therefore, commercial potential value of Walakpa has not been determined fully. There are only two wells there and the field has not been determined to its full extent.

Senator MURKOWSKI. What are the logs of the two wells, what do they indicate? Did they both hit gas?

Mr. DEVINE. Yes.

Senator MURKOWSKI. What reserves or what is the geologist's estimate?

Mr. DEVINE. The geologic structure there is such that we do not have bounds on the gas field. To the east and west, it would take additional wells to identify what the boundaries of that gas field are. Consequently, it is an open-ended question. We know there is a large amount of gas there, probably on the order of 10 times or more the amount of gas in the South and East Barrow fields, but whether it is 10 times or 50 times, we do not know without drilling additional wells.

Senator MURKOWSKI. Was it a consideration, a monetary consideration in your negotiation?

Mr. DEVINE. It was our estimate that the field, even though it is large, is still not of commercial value. It would not be one that if it were discovered by a private company that they would be planning to develop and sell.

Senator MURKOWSKI. What value did you set on it?

Mr. DEVINE. We did not put a dollar value on it, sir.

Senator MURKOWSKI. You are just throwing it in?

Mr. DEVINE. Yes, because the value to the Federal Government is less than the cost of developing it, in our judgment. Consequently, it is valuable only to the natives who are going to use it locally.

Senator MURKOWSKI. If a pipeline went by the area, that changes things.

Mr. DEVINE. Yes, that would change it.

Senator MURKOWSKI. Was that considered?

Mr. DEVINE. Yes, it was, because, again, to get a pipeline to that part of NPRA would far exceed the value of any gas that is in Walakpa.

Senator MURKOWSKI. That is true, but if there were a pipeline from NPRA, from substantial discoveries that might be made, then the question arises whether this marginal gas has a commercial competitive value.

Mr. DEVINE. If for some other reason there were a gasline put near by, one could conceive a value to the Walakpa gasfield, yes.

Mr. FREDERICK. Mr. Chairman, some of the considerations that the Department of the Interior made when we were deciding to convey the Walakpa gasfield, first of all, we do think there is a substantial amount of gas there, but it does not compare in size to the Prudhoe Bay gas that presently exists.

Senator MURKOWSKI. Well, you have only drilled two wells on it, so you don't know.

Mr. FREDERICK. We don't know exactly, but we are pretty much convinced that in fact it will never compare to the extensive gas in the Prudhoe Bay area.

Senator MURKOWSKI. I know, but others, it has been found because they have gone out and not looked for gas, but looked for oil and in the process of looking for oil they have discovered the extensive fields of gas. And as a consequence, they have become proven, but that is strictly as a byproduct in the search for oil.

Mr. FREDERICK. Of course it is. And I would never suggest to you that we have all of the answers. I am saying we made the best judgment based on the knowledge that we have at the moment and concluded that in the foreseeable future, considering the amount of gas available in the Prudhoe Bay area at this moment, the chances of a pipeline coming in that direction, if there is a natural gas pipeline, and not over here, plus the cost of developing the Walakpa field would be considerable. With all of those factors in consideration, we concluded that this was a reasonable, additional piece of resource for the natives and could not be in the foreseeable future developed as a commercial gas site.

Senator MURKOWSKI. In this negotiation, is there anything that they asked for that you did not give them?

Mr. FREDERICK. Yes, as a matter of fact, there were some additional surface selection requirements that were made that we did not feel that we could convey or that we thought would not be a reasonable approach.

Senator MURKOWSKI. What were those?

Mr. FREDERICK. Well, I believe Camp Lonely was one of the additional ones. I think there was another surface site that they had asked for that we could not convey. They also were asking for, I believe, some commercial sand and gravel rights that we were not able to convey as well.

Mr. SMYTH. And they also wanted free gas from Federal test wells.

Senator MURKOWSKI. What is the status of the Federal Government's continued testing and exploration?

Mr. FREDERICK. We finished the testing and exploration program in the national petroleum reserve—Alaska. Our specific involvement is cleanup.

Senator MURKOWSKI. So it is unlikely that there is going to be any Federal exploration?

Mr. FREDERICK. That is correct, sir.

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Senator MURKOWSKI. And the decision of future lease sales in NPRA is still up in the air. Is that right?

Mr. FREDERICK. As I understand it, there have been two lease sales in the NPRA or three.

Mr. SMYTH. Three, I believe.

Mr. FREDERICK. And the Department at this point is evaluating further lease sales.

Senator MURKOWSKI. In all of these cases as far as the Federal Government is concerned, there is no question that the rights of the Government with regard to access are protected and insured?

Mr. SMYTH. That is correct.

Senator MURKOWSKI. What in your estimation is the value to the Federal Government of this transfer? We are talking about, obviously, $30 million cash, we are talking about some $50 million in the east field, we are talking about some equipment valued at anybody's guess, we are talking about gravel rights in two specific areas, Cape Simpson and another 320 acres, plus a substantial area within the Barrow Village land mass, excluding the area that we have discussed, plus the consideration for the Arctic Slope Regional Corporation Have you gentlemen put a figure, a dollar figure on this exchange?

Mr. FREDERICK. We have not put a dollar figure on all of those exchanges that you have just described. We have put dollar figures on the precise specific equipment.

Senator MURKOWSKI. Have you put a value then, let's put it that way.

Mr. FREDERICK. You are talking about the value to——

Senator MURKOWSKI. To the Federal Government.

Mr. FREDERICK. Of course, we are giving up the obligation to spend $6 million a year.

Senator MURKOWSKI. That is on one hand. On the other hand, this is the matter of consideration, what is the value of what you are giving up?

Mr. FREDERICK. I do not think we have calculated the potential value on every one of those specific issues that you have just described. Value to the Federal Government in place we have taken a look at and we can provide that for the record.

Senator MURKOWSKI. It would seem to me that there is a reasonable obligation on the part of the Government to know roughly the value of what it is giving up in exchange for being relieved of an obligation.

Mr. DEVINE. Mr. Senator, if I may, we have looked at that question and the problem lies in how you assess value.

Senator MURKOWSKI. I don't dispute that at all.

Mr. DEVINE. On the other hand, in answer to your question what is the value, what does the Government save, in addition to the $6 million a year, they also save future development costs.

Senator MURKOWSKI. That is true, but you also give up future development potential.

Mr. DEVINE. Yes, but the Federal Government does not need that potential.

Senator MURKOWSKI. Well, if you looked at the debt around here, I question that.

Mr. DEVINE. We do not believe there is a commercial value to what we are giving up beyond the local support of——

Senator MURKOWSKI. I am not asking you for that. I am asking you, there is a proposed exchange and what is the value to the Federal Government of this? You do not carry it as a liability, I assume; you carry it as some kind of an asset.

Mr. FREDERICK. I guess we have concluded that perhaps part of the operation would be a liability.

Senator MURKOWSKI. It is a liability inasmuch as it does not pay for itself.

Mr. FREDERICK. That is correct.

Senator MURKOWSKI. By the same token, if you are making a determination of value you have got your development costs, you have got your equipment, you have got your infrastructure pipeline, all of these things represent cost to the goverment for a service that it is obligated to perform. You have got the gravel rights, an extensive area, that has certainly a value and you are proposing an exchange, yet, the exchange is based on the ability to negotiate but there is no reference to any value.

Mr. FREDERICK. Let me handle the consideration, Senator Murkowski, that we made in making the exchange. We have talked about the value or nonvalue of the gas. We have concluded that the value of the gas to the Government was essentially zero at this point in time in terms of its potential exploitability and consideration of any fair market value calculation for the gas at this point. So we considered that to be zero.

The basic development of the South Barrow and East Barrow field, although, there was a substantial amount of money expended there, we concluded it was only valuable there in place and, therefore, there was no commercial value to the Federal Government in terms of selling that or auctioning it off. That it was only valuable to the North Slope Borough and related communities.

As far as the surface right sand and gravel and that sort of thing, mostly those we believe will be used for the development of the specific area. We think the resources are limited somewhat, so we do not have a specific calculation but we think that is fair in the framework of the deal that we have made.

The worth of the surface access to Cape Simpson and subsequently the additional 320-acre site could turn out to be a revenue generator for the North Slope Borough, but it depends on future development in NPRA and the deals that the North Slope Borough can make. So that potentially has some value that we have not precisely put a tag on.

Senator MURKOWSKI. There is a great deal of criticism in Congress over the manner in which the Federal Government disposes of land, exchanges and so forth and what I have heard today is just a generalization that we are making an exchange to relieve ourselves of an obligation, but the exchange is based on negotiation and little more of any substantive nature.

The Federal Government puts areas up for lease all of the time, for sale without knowing necessarily what the resource potential is and expects consideration for it.

Mr. DEVINE. We truly believe this exchange will result in a large saving on the part of the Federal Government.

Senator MURKOWSKI. As far as immediate commitment to make up the subsidy, that is true. Of course, you are spending $6 million more than you are generating, plus other considerations.

Mr. DEVINE. I think the other considerations are very large.

Senator MURKOWSKI. But I am questioning the value here, and it seems inconceivable to me that there has not been some effort to address and substantiate a position on value. If I were on the floor, and one of the Senators said, well, Senator Murkowski, explain to me a about what this exchange was based on in terms of value, I would have to give him an awful long answer.

Mr. DEVINE. We have had extensive discussions about the value of this exchange, Senator. We have not ignored that question at all. I am sorry if I repeat myself, the value of the fields, even though we spent a large amount of money in East Barrow field, the value of the East Barrow field to the Federal Government today is very low, because we have no need for it.

Consequently, it is hard to say that the $60 million spent to develop it is now still part of its value. At the time it was developed, the Federal Government needed that gas. Today the Federal Government does not need that gas for its local use. Consequently, the value of that field to the Federal Government is very low, the same for the South Barrow field, the same for the undeveloped gas at Walakpa. It is difficult to put specific numbers on them. It is clear that it has very little value to the Federal Government, because we are not there.

Senator MURKOWSKI. The gravel has little value to the Federal Government

Mr. DEVINE. I cannot speak to the gravel question.

Mr. SMYTH. Of course, the gravel would have some value.

Senator MURKOWSKI. I think for the record we should address this question of value. We should have some value figure on the record. I mean how do you know that the North Slope Borough is not being taken advantage of here by the Federal Government?

Mr. FREDERICK. One can never be absolutely sure on the value question. We are convinced that the North Slope Borough is not taking advantage of the Federal Government after this deal.

Senator MURKOWSKI. Maybe you are taking advantage of them.

Mr. FREDERICK. No, we think it is in the mutual good of the Federal Government and the North Slope Borough. We think that they will be able to operate the gas fields uninterrupted at a reasonable cost with the exchanges that they have made. We think it is in the public interest. As you are aware the Department is authorized to make land exchanges on two bases, fair market value, specifically, and in the public good. We think this meets both of those criteria. We think consideration of fair market value when you look at gas in place, the equipment and the infrastructure against the cost and further considerations that the Federal Government might have if the bill is not enacted, we think that the exchange is good. We also think it is in the public interest to do that.

Senator MURKOWSKI. You are not responding to my concern. The concern is of Congress, is the Federal Government moving on lands and the perception of these lands not having any value is relatively foreign to the process, what we have got in the case. Can you justify the obligation of its being removed from the Federal Govern-

ment? But that is the quantifiable obligation and it should be offset, in my opinion, with some reference to a quantifiable consideration on the other side. Just to suggest that it is in the public interest, I do not think satisfies the identity associated with that obligation.

Mr. FREDERICK. Senator, we will do the best we can to provide the quantifiable figures on that. I am not sure that every specific item will be quantifiable, but we will do the best we can.

Senator MURKOWSKI. I am not asking for it. You can footnote and qualify as much as you want your reference to value, but it would seem to me that there is an obligation of some sort with reflection on values.

Mr. FREDERICK. We will provide that for the record.

Senator MURKOWSKI. Can you come up with something in 1 week, can you come up with some figures in reference to value within that time for this record?

Mr. FREDERICK. Yes, sir, we will do the best we can.

Senator MURKOWSKI. I would expect those to consider the specific considerations. Obviously, we know theoretically what $30 million is worth and we hope it will still be worth $30 million in a week, but you have got the reference to how you quantify or reference the consideration to the Arctic Slope Regional Corporation is your own dilemma as well as identifying the gravel, the Walakpa site, whatever the estimated equipment or you can capitalize it or depreciate it or footnote it or something, Cape Simpson and the other 320 acres. I think we understand what we are looking for.

Mr. FREDERICK. Yes, sir.

Senator MURKOWSKI. So that somehow even if there are two or three answers of value, we can look at a piece of paper and say it is estimated under this formula, the value is about such and such, under this area it is such and such, I think the people of the North Slope Borough and the Arctic Regional Corporation are entitled to know what kind of value they received in consideration for taking on the obligation themselves, which formerly was an obligation of the Federal Government. So I do not feel the least bit uncomfortable about pursuing this line of question.

The last area I have is with regard to the contract that I understand is held by a regional corporation in Alaska. Calista?

Mr. FREDERICK. That is correct.

Senator MURKOWSKI. What are the circumstances? What happens to Calista, are they jeopardized in any way for their role? I gather that they are operating the gas field as a consequence of the Navy's termination.

Mr. FREDERICK. Senator Murkowski, we have a contract at the moment with the Calista Corporation to operate the gas field. The contract was a 1-year contract extendable for 2 years. We are now in the first extension, the first option year of that contract. The contract is written so that it can be terminated at the best interest of the Government at the end of either the first year or the second year. And our intention would be to terminate the contract at the end of this fiscal year.

Senator MURKOWSKI. Have you had any correspondence with Calista with regard to that contract?

Mr. FREDERICK. We have discussed that contract extensively with Calista.

Senator MURKOWSKI. Would you for the record indicate what the extent of the difference of opinion might be with regard to that contract?

Mr. FREDERICK. We are not aware that there is any difference of opinion with regard to that contract.

Senator MURKOWSKI. You said you had considerable communication with them.

Mr. FREDERICK. Yes, sir.

Senator MURKOWSKI. Might you enlighten us as to that communication?

Mr. FREDERICK. The communication, of course, has been continuous over the last 2 years. When we first negotiated the contract with Calista for 1 year extendable to 2 beyond that, the first year has been completed. We renegotiated last summer for a 1-year extension of that particular contract, so there were extensive negotiations.

We have at the moment asked Calista to provide a proposal for 1 additional year in the event it is required. They are aware that the contract terminates at the end of this fiscal year, if it is not extended.

Senator MURKOWSKI. Why would you want to, if you are transferring the field over to the North Slope Borough, it would be their option to decide what they want to do as far as the continued operation, wouldn't it?

Mr. FREDERICK. I am glad you asked that question, Senator MURKOWSKI. The problem is it takes us about 3 or 4 months to negotiate a contract, to get ourselves in a position to be able. And all we are doing is providing that homework as backup in the case the authorizing legislation is not passed or in the case the appropriations are not available for us to turn over the gas to the North Slope Borough.

Senator MURKOWSKI. When does their contract expire again?

Mr. FREDERICK. The end of this fiscal year, September 30.

Senator MURKOWSKI. We are looking for an expedited transfer here.

Mr. FREDERICK. Yes, sir.

Senator MURKOWSKI. In your professional opinion, is there enough time, assuming Congress can act on this before we go out of session, for the transfer, for the bill to be signed so it becomes law, for the borough to take it over and operate it without an extension of the Calista operating agreement?

Mr. FREDERICK. Yes, sir, under those terms you have just outlined. It will require a lot of work on their part.

Senator MURKOWSKI. Is that likely to happen? Is this the goal or your intention?

Mr. FREDERICK. Yes, it is, assuming that Congress passes the authorizing legislation and the appropriations are available to go ahead and consummate the deal.

Senator MURKOWSKI. I do not know where the appropriations are. Do you know where the $30 million is?

Mr. FREDERICK. I can answer that in part. We have $17 million as carryover from NPRA operations and it would be our intent to

contribute that amount. We need an additional $13 million to be appropriated by Congress.

Senator MURKOWSKI. Assuming that is the case, then I would assume that the North Slope Borough would be in a position to take it over as long as they got the $17 million and would look forward to a future appropriation on the balance.

Mr. FREDERICK. You should ask the North Slope Borough that question, Senator. We think that is a reasonable approach. I am not sure exactly how they would answer that.

Senator MURKOWSKI. I have as recent as June 7 received a letter from Calista and this letter is quite emphatic inferring that it is their interpretation that they have a 3-year contract and they have made a substantial investment and indicate that they expect due consideration. I quess it is a question of interpretation of the contract and I think for the record we should have a very clear opinion from the appropriate Interior solicitor and this should be resolved directly, not necessarily to the satisfaction, but inasmuch as it represents certainly a claim on the matter in which the appropriate transfer could be in question if indeed there was any validity to that contract.

Mr. FREDERICK. We have addressed that question. The Geological Survey contract people have addressed it and so has the solicitor's office.

Senator MURKOWSKI. I would like that. You are correct in your interpretation, but I want submitted for the record your verification as to the fact that you are and have lived within the intent of the contract with Calista and indeed you do have the option to terminate this contract as you described to me.

Mr. FREDERICK. I would be pleased to do that, sir.

Senator MURKOWSKI. Because I think that would clarify any doubts that may remain. So we have ascertained that it is the intent of the Department of the Interior to transfer upon enactment of this legislation the available moneys and expedite the physical transfer to the borough and then the borough would be free to accept the obligation or contract it out in any manner or form and would—when would you expect the appropriation process to enable you to pay the balance of the money?

Mr. FREDERICK. Senator Murkowski, we would expect that the first available instrument for appropriating those funds would be the second supplemental, which has been passed by the House, I believe, or it has at least been passed by the House Appropriations Committee. It is to be taken up in the Senate very, very soon, as I understand it. That could come very close to the authorizing legislation, depending on the Congress in that regard.

Senator MURKOWSKI. Would you pay interest on the balance of that money to the borough?

Mr. FREDERICK. That would be up to the Congress, I would believe.

Senator MURKOWSKI. The Congress would not pay it unless there was a question to consider it.

Mr. FREDERICK. I do not believe that we would intend to pay interest on that.

Senator MURKOWSKI. Unless you got into negotiations?

Mr. FREDERICK. Yes, sir.

Senator MURKOWSKI. Leave the door open. In view of the timeliness of trying to move this legislation, I am somewhat reluctant to keep the record open a week, but I want the material that I have requested. I guess my question to you gentlemen is can we have it by Tuesday or Wednesday of next week?

Mr. FREDERICK. Yes, sir.

Senator MURKOWSKI. The record will close upon receipt of the materials I have asked for and if there is any reason to think there is going to be any delays, I would appreciate your advising Tony, so that we can reflect upon that and I would also like to have my office advised, as well as Tony Bevinetto, when this material is available and it will be submitted into the record as read.

I do not want you to misunderstand me that I intend to question whatever values you so determine, but I want them laid out so that a layman can at least refer to them as value and I think for the protection of the North Slope Borough that it is appropriate that they be able to explain to their people that they indeed got something of value for taking on this obligation.

Mr. FREDERICK. I understand. We should have that by Tuesday, unless there are some unforeseeable problems.

Senator MURKOWSKI. Is there any other witness that wishes to make any comments?

Mr. FREDERICK. Not from Interior.

Senator MURKOWSKI. Thank you. I wish you a good weekend and I appreciate the thoroughness of some of the questions which we went into, which I felt were expeditious in the sense of making sure that we do not have any misunderstanding later on and I think the hearing has been worthwhile. I wish you a good day. The record will close upon receipt of the materials we have requested.

[Whereupon, at 12 noon, the hearing was adjourned.]

[Subsequent to the hearing the Department of the Interior supplied the following information.]

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 25 1984

Honorable Malcolm Wallop
Chairman, Subcommittee on Public
Lands and Reserved Water
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Senator Wallop:

In testimony before your Subcommittee last Friday, June 22, 1984, Senator Murkowski asked several questions regarding the value of the natural gas and related equipment and the existing contract with Calista Professional Services, Inc.

Enclosed is the letter from the Solicitor's Office, Department of the Interior, analyzing the contract with Calista Professional Services, Inc., and determining that Calista has no rights under the contract after September 30, 1984.

Also enclosed is the estimated value of the elements of the proposed transfer and the cost savings to the Federal Government. Based on the assumptions used in deriving these figures, this transfer represents a cost savings to the Federal Government, through the year 2000, of approximately 200 to 250 million dollars.

Sincerely,

James T. Christy

Legislative Counsel

Enclosures

United States Department of the Interior

OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

JUN 25 1984

Honorable Frank H. Murkowski
United States Senate
Washington, D.C. 20510

Dear Senator Murkowski:

At the hearing on June 22, 1984, on S. 2762, "the Barrow Gas Fields Transfer Act of 1984," you asked for a statement for the record concerning the rights of Calista Professional Services, Inc., under its contract with the U.S. Geological Survey for the operation of the Barrow gas fields. Calista had alleged that the contract period extended through September 30, 1985, and that its contract rights would be adversely affected by the legislation. The Office of the Solicitor, Department of the Interior, has reviewed this contract. It contains an initial contract period beginning September 29, 1982, and ending September 30, 1983. It then provides for two additional option periods, each for one year. The first commenced October 1, 1983 and ends September 30, 1984. The Federal Government exercised its option with Calista for this period (see attached Requisition/Purchase Request No. 1263-3809). The final option period begins October 1, 1984 and ends September 30, 1985. The contract states at page 64 under paragraph H.9A that the Government must give "written notice to the Contractor of the Government's exercise on such option . . . ." This option period has not been triggered by the United States. Accordingly, any obligation of the United States to Calista under this contract will expire on September 30, 1984, unless the Government specifically exercises its option for the additional period.

Enclosed are pertinent portions of this contract for the record. It was a pleasure to appear before your Subcommittee and we thank you very much for the opportunity to clarify this aspect of the Barrow Gas Transfer.

Sincerely,

Paul B. Smyth
Assistant Solicitor
Land Use

Enclosure

STANDARD FORM 30, JULY 1960
GENERAL SERVICES ADMINISTRATION
FPO PROC REG (41 CFR) 1-16.101

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

PAGE 1 OF 1

1. AMENDMENT/MODIFICATION NO.	2. EFFECTIVE DATE	3. REQUISITION/PURCHASE REQUEST NO.	4. PROJECT NO. (If applicable)
8	See Block 19 Below	84-1264-3811	

5. ISSUED BY CODE
U. S. Geological Survey
Br. of Procurement & Contracts - MS 205
12201 Sunrise Valley Dr. - Rm. 1D104
Reston, Virginia 22092

6. ADMINISTERED BY (If other than block 5) CODE
Max Triola
Contract Administrator
703/860-7153

7. CONTRACTOR NAME AND ADDRESS (Street, city, county, state, and ZIP Code) CODE FACILITY CODE
Calista Professional Services, Inc.
516 Denali Street
Anchorage, AL 99501

8.
☐ AMENDMENT OF SOLICITATION NO. _____,
DATED _____ (See block 9)
☒ MODIFICATION OF CONTRACT/ORDER NO. 14-08-0001-21399
DATED 9/16/82 (See block 11)

9. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in block 12. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended.

Offerors must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation, or as amended, by one of the following methods:

(a) By signing and returning _____ copies of this amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If, by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided such telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

10. ACCOUNTING AND APPROPRIATION DATA (If required)
X-1264-00008 (OC 60) $3,100,000.00 (Obligate)
1 of 1

11. THIS BLOCK APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS

(a) ☐ This Change Order is issued pursuant to _____
The Changes set forth in block 12 are made to the above numbered contract/order.

(b) ☒ The above numbered contract/order is modified to reflect the administrative changes (such as changes in paying office, appropriation data, etc.) set forth in block 12.

(c) ☐ This Supplemental Agreement is entered into pursuant to authority of _____

It modifies the above numbered contract as set forth in block 12.

12. DESCRIPTION OF AMENDMENT/MODIFICATION

I. Pursuant to Provision I.B. of Contract Modification No. 6, funds in the amount of $3,100,000.00 are hereby provided. It is anticipated that prior to expenditure of the funds added hereby, the balance of the funds will be made available for obligation.

II. Recapitulation

Funds provided for FY 84 operation by Mod. 6	$1,100,000.00
Funds provided hereby for FY 84 operation	3,100,000.00
Total funds provided for FY 84 operation	$4,200,000.00

END OF MODIFICATION NO. 8

Except as provided herein, all terms and conditions of the document referenced in block 8, as heretofore changed, remain unchanged and in full force and effect.

13. ☒ CONTRACTOR/OFFEROR IS NOT REQUIRED TO SIGN THIS DOCUMENT ☐ CONTRACTOR/OFFEROR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN _____ COPIES TO ISSUING OFFICE

14. NAME OF CONTRACTOR/OFFEROR		17. UNITED STATES OF AMERICA	
BY _____ (Signature of person authorized to sign)		BY _____ (Signature of Contracting Officer)	
15. NAME AND TITLE OF SIGNER (Type or print)	16. DATE SIGNED	18. NAME OF CONTRACTING OFFICER (Type or print) Max Triola	19. DATE SIGNED 2/3/84

30-101

U.S. GOVERNMENT PRINTING OFFICE: 1976 O—220-220

STANDARD FORM 26, JULY 1966
GENERAL SERVICES ADMINISTRATION
FED. PROC. REG. (41CFR) 1-16.101

AWARD/CONTRACT

PAGE 1 OF 66

1. CONTRACT (Proc. Inst. Ident.) NO.	2. EFFECTIVE DATE	3. REQUISITION/PURCHASE REQUEST/PROJECT NO.	4. CERTIFIED FOR NATIONAL DEFENSE UNDER BDSA REG. 2 AND/OR DMS REG. 1. RATING:
14-08-0001-21399	9/16/82	1262-2812	

5. ISSUED BY CODE
U.S. Geological Survey
Branch of Procurement and Contracts
12201 Sunrise Valley Drive, Room 1D117
Reston, Virginia 22092 MS 205

6. ADMINISTERED BY (If other than block 5) CODE
Contract Administration and
Procurement Services Section
(703) 860-7153

7. DELIVERY
[X] FOB DESTINATION
[ ] OTHER (See below)

8. CONTRACTOR NAME AND ADDRESS (Street, city, county, State, and ZIP code) CODE FACILITY CODE
Calista Professional Services, Inc.
516 Denali Street
Anchorage, Alaska 99501
EIN NO. 076651314

9. DISCOUNT FOR PROMPT PAYMENT
Net 30 days

10. SUBMIT INVOICES (4 copies unless otherwise specified) TO ADDRESS SHOWN IN BLOCK
See Provision G.1

11. SHIP TO/MARK FOR CODE
See Provision F.4

12. PAYMENT WILL BE MADE BY CODE
U.S. Geological Survey
Branch of Financial Management, MS 270
12201 Sunrise Valley Drive
Reston, Virginia 22092

13. THIS PROCUREMENT WAS [ ] ADVERTISED, [X] NEGOTIATED, PURSUANT TO:
[ ] 10 U.S.C. 2304 (a)( )
[X] 41 U.S.C. 252 (c)(15)

14. ACCOUNTING AND APPROPRIATION DATA
1262-00004 - Obligated Amount: $8,220.00
OC 60

DUNS NO.: 076651314
TYPE OF CONTRACT: Cost-Plus-Fixed-Fee
PLACE OF PERFORMANCE: Barrow, Alaska

15. ITEM NO.	16. SUPPLIES/SERVICES	17. QUANTITY	18. UNIT	19. UNIT PRICE	20. AMOUNT
	The Contractor shall furnish all personnel, equipment, facilities, services, and supplies, except as specified herein, required to operate and maintain the Barrow Gas Fields in accordance with the Statement of Work and terms and conditions contained herein. The Contractor's proposal dated 8/6/82, as revised on 8/23/82, 8/31/82, and 9/7/82 is hereby incorporated into this contract by reference. In cases of conflict between this contract and the Contractor's proposal, this contract shall take precedence. The total estimated cost plus fixed fee of the period September 29, 1982 through September 30, 1983, is set forth below. See also Sections B and H.13.				
	Estimated Cost $4,013,413.00 Fixed Fee $ 70,804.00 ~~Total Cost Plus Fixed Fee $4,084,217.00~~				

21. TOTAL AMOUNT OF CONTRACT $ 4,084,217.00

CONTRACTING OFFICER WILL COMPLETE BLOCK 22 OR 26 AS APPLICABLE

22. [X] CONTRACTOR'S NEGOTIATED AGREEMENT (Contractor is required to sign this document and return 3 copies to issuing office.) Contractor agrees to furnish and deliver all items or perform all the services set forth or otherwise identified above and on any continuation sheets for the consideration stated herein. The rights and obligations of the parties to this contract shall be subject to and governed by the following documents: (a) this award/contract, (b) the solicitation, if any, and (c) such provisions, representations, certifications, and specifications, as are attached or incorporated by reference herein. (Attachments are listed herein.)

26. [ ] AWARD (Contractor is not required to sign this document.) Your offer on Solicitation Number _____, including the additions or changes made by you which additions or changes are set forth in full above, is hereby accepted as to the items listed above and on any continuation sheets. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract. No further contractual document is necessary.

23. NAME OF CONTRACTOR
BY Jed T. Holley
(Signature of person authorized to sign)

27. UNITED STATES OF AMERICA
BY Barbara A. Marshall
(Signature of Contracting Officer)

24. NAME AND TITLE OF SIGNER (Type or print)	25. DATE SIGNED	28. NAME OF CONTRACTING OFFICER (Type or print)	29. DATE SIGNED
Jed T. Holley Vice President & General Manager	9/16/82	Barbara A. Marshall	9/16/82

30-105

U.S. GOVERNMENT PRINTING OFFICE : 1967 O-250-080

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SECTION B

SUPPLIES/SERVICES

Total Contract Amount

Item	Description	Estimated Cost	Fixed Fee	Total Estimated Cost Plus Fixed Fee
01	The Contractor shall furnish all necessary personnel for performance of all services required during the phase-in period as defined in Provision H.2.	$ 8,220.00	No fee	$ 8,220.00
02	The Contractor shall furnish all necessary personnel for performance of all work required hereunder in accordance with the Statement of Work and terms and conditions set forth herein for the operation and maintenance of the Barrow Gas Fields. Performance period is October 1, 1982, through September 30, 1983.	$4,005,193.00	$70,804.00	$4,075,997.00
03	The Contractor shall furnish upon direction by the Contracting Officer, all necessary personnel for performance of additional phase-out services as defined in Provision H.3., paragraph C. This item is an option item, which may or may not be exercised by the Government	xx	xx	xx
	OPTIONAL PERIODS OF PERFORMANCE (Funds shown are estimates only and are not presently obligated hereunder.)			
04	The Contractor shall furnish all necessary personnel for performance of all work required hereunder in accordance with the Statement of Work and terms and conditions set forth herein for the operation and maintenance of the Barrow Gas Fields. Performance period is October 1, 1983, through September 30, 1984. See also provisions F.2 and H.9.	$4,074,441.00	$71,423.00	$4,145,864.00

SECTION B (Continued)

Item	Description	Total Contract Amount: Estimated Cost	Fixed Fee	Total Estimated Cost Plus Fixed Fee
05	The Contractor shall furnish all necessary personnel for performance of all work required hereunder in accordance with the Statement of Work and terms and conditions set forth herein for the operation and maintenance of the Barrow Gas Fields. Performance period is October 1, 1984, through September 30, 1985. See also provisions F.2 and H.9.	$4,129,724.00	$71,602.00	$4,201,326.00

The following amounts are presently obligated herein. (See also provision H.13.)

Item	Estimated Cost	Fixed Fee	Total Est. Cost Plus Fixed Fee
01	$8,220.00	No fee	$8,220.00
02	$0	$0	$0

SECTION G

CONTRACT ADMINISTRATION DATA

G.1 CONSIDERATION, PAYMENT AND ADVANCE COST UNDERSTANDINGS

A. Consideration (See also Provision H.13.)

1. The estimated cost and fixed fee for the initial contract period commencing September 29, 1982, and ending September 30, 1983, is $4,084,217.00. Of this amount $4,013,413.00, represents the estimated cost and $70,804.00 represents the fixed fee.

2. The estimated cost and fixed fee representing an estimated price for the option period commencing October 1, 1983, and ending September 30, 1984 is $4,145,864.00. Of this amount, $4,074,441.00 represents the estimated cost and $71,423.00 represents the fixed fee. These amounts are subject to negotiation as further described in Provision H.9 and are not presently obligated.

3. The estimated cost and fixed fee representing a ceiling price for the option period commencing October 1, 1984, and ending September 30, 1985 is $4,201,326.00. Of this amount, $4,129,724.00 represents the estimated cost and $71,602.00 represents the fixed fee. These amounts are subject to negotiation as further described in Provision H.9 and are not presently obligated.

4. The estimated cost and fixed fee for the phase-out period which is optional at the discretion of the Government, shall be negotiated when that option is exercised. See also Provision H.3.

B. Payment of Reimbursable Costs and Fixed Fee

1. Costs

Subject to the provisions of the clause entitled "Allowable Cost, Fixed-Fee and Payment", payment of costs reimbursable hereunder shall be made monthly to the Contractor upon receipt in quadruplicate of a completed Standard Form 1034 (Public Voucher) and Standard Form 1035 (Continuation Sheet).

2. Fixed Fee

At the time of each payment to the Contractor on account of allowable dollar costs the Contractor shall be paid a dollar amount which is in the same ratio to the total fixed fee as the related payment being made on account of allowable dollar costs is to the total estimated cost; provided, however, that whenever in the opinion of the Contracting Officer such payment would result in a percentage of fee in excess of the percentage

SECTION H

SPECIAL PROVISIONS

H.1 TYPE OF CONTRACT

This is a cost-plus-a-fixed-fee contract.

H.2 PHASE-IN OPERATIONS

The Contractor shall assume full operation and maintenance responsibilities under this contract at 12:01 A. M. Barrow, Alaska time on October 1, 1982. On September 29, 1982, the Contractor shall commence mobilization so as to begin working closely with the incumbent Contractor to become familiar with all operating functions. This phase-in period is a training and orientation period and shall commence upon mobilization of the contractor and end at at 12:01 A.M., Barrow, Alaska time on the day the Contractor is to commence operation and maintenance services. During phase-in, the Contractor's responsibility is to become familiar with the gas fields and base camp and the services required for the successful operation and maintenance thereof. He is not responsible for the performance of any operation and maintenance services during this period as those services are the responsibility of the incumbent contractor for the Office of Naval Research.

H.3 PHASE-OUT OPERATIONS

A. The Contractor recognizes that (i) the services provided by this contract are vital to the Government's overall effort, (ii) the continuity thereof must be maintained at a consistently high level without interruption, (iii) upon expiration of this contract a successor - either the Government or another Contractor - may continue these services, (iv) the successor, be it the Government or another Contractor, will need phase-in training, and (v) the Contractor must give his best efforts and cooperation in order to effect an orderly and efficient transition to a successor.

B. In recognition of paragraph A above, prior to the completion of the operation and maintenance services performance period, the Contractor shall provide his best efforts and cooperation to his successor. This successor will commence phase-in services approximately thirty (30) days prior to the conclusion of this contract's operation and maintenance period of performance. The Contractor shall assist his successor in becoming familiar with the gas fields and base camp and the services required for operation and maintenance thereof.

C. Should the Government determine that it is necessary for phase-out operations to continue beyond the operations and maintenance performance period, the Contractor agrees to enter into good faith negotiations to furnish those services.

39-424 O—84——5

SECTION H (Continued)

H.9 OPTION TO EXTEND SERVICES

A. The Government may require the Contractor to continue performance of the services required hereunder by the exercise of Optional Items 04, and/or 05. The Contracting Officer may exercise this option by giving written notice to the Contractor of the Government's exercise of such option by the first day of each fiscal year or within thirty (30) calendar days after funds for that fiscal year become available. Such exercise shall not have effect unless the Contracting Officer has given preliminary written notice of an intent to exercise such option at least thirty (30) days prior to the last day of the term of the contract. Such preliminary notice shall not be construed as an exercise of the option, and will not bind the Government to exercise the option. If the Government exercises such option, the contract, as extended, shall be deemed to include this option provision; provided, however, that the total duration of this contract, including the exercise of any options under this clause, shall not exceed thirty-eight (38) months.

B. The Schedule presently sets forth an estimated cost and fixed fee for Option Items 04 and 05. The Contractor shall submit a detailed proposal to the Contracting Officer by April 1, 1983, for Option Item 04, and by April 1, 1984, for Option Item 05. This proposal shall be based upon actuals incurred prior to the date of proposal submission. The estimated cost and fixed fee for that option period shall then be subject to negotiation and established by contract modification.

C. In no event shall the amount of fixed fee exceed that amount initially set forth in the basic contract for the respective option period.

H.10 SUBCONTRACTS

A. Competition shall be obtained to the maximum extent practicable by the Contractor, prior to the award of any subcontract hereunder that meets the criteria set forth in paragraph (b) of the General Provision entitled "Subcontracts."

B. After contract award, proposed subcontracts hereunder shall be submitted for consent/approval in accordance with the General Provision. Subcontracts meeting the criteria of the General Provision shall be submitted to the Contracting Officer. The Contractor shall allow fifteen (15) working days, from the date of receipt of the subcontract package by the Contracting Officer for consent/approval.

SECTION H (Continued)

C. The information required in paragraph (b) of the General Provision shall be submitted for all subcontract reviews. In addition to a copy of the proposed awardee's proposal/bid, the Contractor shall submit a summary of all other proposals/bids received. Copies of other than the awardee's proposal/bid will be furnished by the Contractor, if requested by the Contracting Officer. The Contractor shall also submit, as appropriate, pre-award audit in accordance with the General Provision entitled, "Subcontractor Cost or Pricing Data," and justification for noncompetititve procurement in accordance with the Interior Procurement Regulations 14-3.150.

H.11 KEY PERSONNEL

A. If, during the performance period of this contract, it appears the below personnel will not be able to devote substantially the amount of time proposed for commitment to this contract or that the Contractor must utilize personnel other than those indicated, the Contractor shall immediately notify the Contracting Officer and shall submit justification (including proposed substitutions) in sufficient detail to permit evaluation of the impact on the contract. Such diversion of effort or substitution of personnel shall not be made without prior written approval of the Contracting Officer: Provided that the Contracting Officer may ratify, in writing, such diversion and such ratification shall constitute the approval of the Contracting Office required herein. Any substitutions for Key Personnel shall meet the criteria set forth in the Statement of Work.

B. The following individuals are considered to be Key Personnel:

Name	Position
Mr. J. Young	Director Operations - Alaska
Mr. R. Harrison	Project Manager
Mr. R. Murphy	Petroleum Engineer
Mr. J. McComisky	Camp Supervisor
Mr. R. Randall	Gas Field Operator
Mr. J. Konichek	Gas Field Operator
Mr. K. Blackburn	Gas Field Operator
Mr. F. McCollister	Gas Field Operator

C. In other than key categories, performance shall be accomplished by Contractor personnel in each category having qualifications as represented by the Contractor in its proposal.

D. A provision which is substantially the same as this "Key Personnel" provision shall be included in all subcontracts under which the subcontractor is providing to the prime contractor hereunder the services of one of the Key Personnel listed above.

H.12 FISCAL YEAR REFERENCES

All references herein to Fiscal Year refer to the U.S. Government fiscal year which presently commences October 1 and ends September 30.

SECTION H (Continued)

H.13 AVAILABILITY OF FUNDS FOR NEXT FISCAL YEAR

Funds are not presently available for performance under this contract beyond September 30, 1982. The Government's obligation under this contract beyond that date is contingent upon the availability of appropriated funds from which payment for contract purposes can be made. No legal liability on the part of the Government for payment of any money for performance of services after September 30, 1982 shall arise unless and until funds are made available to the Contracting Officer for such performance and notice of such availability, to be confirmed in writing by the Contracting Officer, is given to the Contractor.

STANDARD FORM 30, JULY 1966
GENERAL SERVICES ADMINISTRATION
FPR (41 CFR) 1-16.101

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

Page 1 of 5

1. AMENDMENT/MODIFICATION NO.	2. EFFECTIVE DATE	3. REQUISITION/PURCHASE REQUEST NO.	4. PROJECT NO. (If applicable)
6	1 OCT 1983	1263-3809	

5. ISSUED BY	CODE	6. ADMINISTERED BY (If other than block 5)	CODE
U. S. Geological Survey Br. of Procurement & Contracts - MS 205A 12201 Sunrise Valley Dr. - Rm. 1D104 Reston, Virginia 22092		Contract Administrator 703/860-7153	

7. CONTRACTOR NAME AND ADDRESS (Street, city, county, state, and ZIP Code) — CODE — FACILITY CODE

Calista Professional Services
516 Denali Street
Anchorage, Alaska

8. ☐ AMENDMENT OF SOLICITATION NO. _____ DATED _____ (See block 9)

☒ MODIFICATION OF CONTRACT/ORDER NO. 14-08-0001-21399 DATED 09/16/82 (See block 11)

9. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in block 12. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended.

Offerors must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation, or as amended, by one of the following methods: (a) By signing and returning _____ copies of this amendment, (b) By acknowledging receipt of this amendment on each copy of the offer submitted, or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If, by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided such telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

10. ACCOUNTING AND APPROPRIATION DATA (If required)

X-1663-00001 OC 60 Obligated: $1,100,000.00

11. THIS BLOCK APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS

(a) ☐ This Change Order is issued pursuant to _____

The Changes set forth in block 12 are made to the above numbered contract/order

(b) ☐ The above numbered contract/order is modified to reflect the administrative changes (such as changes in paying office, appropriation data, etc.) set forth in block 12.

(c) ☒ This Supplemental Agreement is entered into pursuant to authority of Provision H.9. "Option to Extend Services"

It modifies the above numbered contract as set forth in block 12.

12. DESCRIPTION OF AMENDMENT/MODIFICATION

I. A. The purpose of this Modification No. 6 is to exercise the option as set forth in Provision H.9. "Option to Extend Services" of the contract. Line Item 04 is hereby modified to identify the following new totals:

Estimated Cost	Fixed Fee	Total Estimated Cost Plus Fixed Fee
$5,919,331.00	$107,180.00	$6,026,511.00

B. However, funding is presently obligated hereunder only through November 30, 1983. Therefore funds are not presently available for performance under this contract beyond November 30, 1983. The Government's obligation under this contract beyond that date is contingent upon the availability of appropriated funds from which payment for contract purposes can be made. No legal liability on the part of the Government for payment of any money for performance of services after November 30, 1983 shall arise unless and until funds are made available to the Contracting Officer for such

Except as provided herein, all terms and conditions of the document referenced in block 8, as heretofore changed, remain unchanged and in full force and effect.

13. ☐ CONTRACTOR/OFFEROR IS NOT REQUIRED TO SIGN THIS DOCUMENT. ☒ CONTRACTOR/OFFEROR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN 3 COPIES TO ISSUING OFFICE

14. NAME OF CONTRACTOR/OFFEROR		17. UNITED STATES OF AMERICA	
BY Jack Kellogg (Signature of person authorized to sign)		BY Barbara A. Marshall (Signature of Contracting Officer)	
15. NAME AND TITLE OF SIGNER (Type or print) JACK KELLOGG VICE PRESIDENT & GEN. MGR. CALISTA PROFESSIONAL SERVICES	16. DATE SIGNED 9-28-83	18. NAME OF CONTRACTING OFFICER (Type or print) Barbara A. Marshall	19. DATE SIGNED 10-4-83

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U.S. GOVERNMENT PRINTING OFFICE 1975 O—554-534

performance and notice of such availability, to be confirmed in writing by the Contracting Officer, is given to the Contractor. See paragraph X of this modification for the funds obligated by this Modification 6.

II. Section C - Statement of Work

A. Paragraph II.B.1:

The following is hereby incorporated into the contract as the last sentence of the first paragraph: "Operation and maintenance of the gas-producing system shall be performed in accordance with the Gruy gas field operation manuals which are presently in the Contractor's possession. The titles of these manuals are:

"Operating Pipeline System", dated March 1981,
"Operations Manual-East Barrow Gas Field", dated August 1982; and
"Forms and Record Manual-Barrow Gas Fields", dated November 1981.

B. Paragraph III.B.17:

The following language is hereby added to the end of the first paragraph:

"The Contractor shall also be responsible for the placement of those orders for groceries and foodstuffs which shall be purchased and shipped by Cool Barge. Payment to the U.S. Air Force for these items shall be made by the U.S. Geological Survey directly, thereby removing this payment responsibility from the Contractor. The Contractor shall not order groceries and foodstuffs to be reimbursed directly by the U.S. Geological Survey to the Air Force in an amount greater than $105,000.00 without the prior approval of the Contracting Officer."

C. The following paragraphs are hereby added to paragraph III.B. of Section C:

"21. The electrical remedial maintenance program, for which the Contractor was given notice to proceed on August 9, 1983 shall be continued so as to be completed by September 30, 1984.

22. The Contractor shall conduct a program that shall result in the consolidation of all parts at the Barrow gas fields and base camp. This shall result in an inventory system of all expendables. The Contractor shall be responsible for the preparation of the plan for this work and shall proceed with that plan upon the approval of the COR. The plan shall be submitted to the COR for review and approval by November 1, 1983. The program shall be completed by September 30, 1984."

STANDARD FORM 30, JULY 1966
GENERAL SERVICES ADMINISTRATION
FPR PROC. REG. (41 CFR) 1-16.101

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

PAGE 1 OF 1

1. AMENDMENT/MODIFICATION NO.	2. EFFECTIVE DATE	3. REQUISITION/PURCHASE REQUEST NO.	4. PROJECT NO. (If applicable)
8	See Block 19 Below	84-1264-3811	

5. ISSUED BY CODE
U. S. Geological Survey
Br. of Procurement & Contracts - MS 205
12201 Sunrise Valley Dr. - Rm. 1D104
Reston, Virginia 22092

6. ADMINISTERED BY (If other than block 5) CODE
Max Triola
Contract Administrator
703/860-7153

7. CONTRACTOR NAME AND ADDRESS (Street, city, county, state, and ZIP Code) CODE FACILITY CODE

Calista Professional Services, Inc.
516 Denali Street
Anchorage, AL 99501

8.
☐ AMENDMENT OF SOLICITATION NO. _____, DATED _____ (See block 9)
☒ MODIFICATION OF CONTRACT/ORDER NO. 14-08-0001-21399 DATED 9/16/82 (See block 11)

9. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in block 12. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended.

Offerors must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation, or as amended, by one of the following methods:

(a) By signing and returning _____ copies of this amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If, by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided such telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

10. ACCOUNTING AND APPROPRIATION DATA (If required)

X-1264-00000 (OC 60) $3,100,000.00 (Obligate)
1 of

11. THIS BLOCK APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS

(a) ☐ This Change Order is issued pursuant to _____
The Changes set forth in block 12 are made to the above numbered contract/order.

(b) ☒ The above numbered contract/order is modified to reflect the administrative changes (such as changes in paying office, appropriation data, etc.) set forth in block 12.

(c) ☐ This Supplemental Agreement is entered into pursuant to authority of _____

It modifies the above numbered contract as set forth in block 12.

12. DESCRIPTION OF AMENDMENT/MODIFICATION

I. Pursuant to Provision I.B. of Contract Modification No. 6, funds in the amount of $3,100,000.00 are hereby provided. It is anticipated that prior to expenditure of the funds added hereby, the balance of the funds will be made available for obligation.

II. Recapitulation

Funds provided for FY 84 operation by Mod. 6	$1,100,000.00
Funds provided hereby for FY 84 operation	3,100,000.00
Total funds provided for FY 84 operation	$4,200,000.00

END OF MODIFICATION NO. 8

Except as provided herein, all terms and conditions of the document referenced in block 8, as heretofore changed, remain unchanged and in full force and effect.

13. ☒ CONTRACTOR/OFFEROR IS NOT REQUIRED TO SIGN THIS DOCUMENT ☐ CONTRACTOR/OFFEROR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN _____ COPIES TO ISSUING OFFICE

14. NAME OF CONTRACTOR/OFFEROR		17. UNITED STATES OF AMERICA	
BY _____ (Signature of person authorized to sign)		BY _____ (Signature of Contracting Officer)	
15. NAME AND TITLE OF SIGNER (Type or print)	**16. DATE SIGNED**	**18. NAME OF CONTRACTING OFFICER (Type or print)**	**19. DATE SIGNED**
		Max Triola	2/3/84

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SERVICE SITES

Estimated value of sites proposed for use as service areas based on the latest lease rates of similar sites (Camp Lonely) to year 2000.

Cape Simpson

Site: 229 acres @ $1200 acre per year x 16 years	=	$4,396,800
Gravel airstrip:	=	1,000,000
Total	-	$5,396,800

Undesignated Site

Site: 310 acres @ $1200 acre per year x 16 years	=	$5,952,000
Grand Total	-	$11,348,800

SAND AND GRAVEL

No estimates are available of the total sand and gravel in the lands contained in the proposed legislation. However, a practical value can be derived by estimating the projected use per year and the value per cubic yard from similar sales.

Estimated use per year (cubic yards):		500,000
Estimated value per cubic yard: (based on BLM 1980 sale)		$0.25
Number of years to year 2000:		16
Total	-	$2,000,000

IMPROVEMENTS

Surface facilities, roads, pipelines, power lines, etc.:		$10,000,000
Rolling stock and supplies:		2,100,000
Total	-	$12,100,000

CASH		$30,000,000

SUMMARY

Natural gas:		$ 7,590,656
Service sites:		11,348,800
Sand and gravel:		2,000,000
Improvements:		12,100,000
Cash:		30,000,000
Total	-	$63,039,456

B. Savings to Federal Government

Costs to the Federal Government as a result of the requirement to provide natural gas to the village of Barrow include the following (considering for explanation purposes, years 1985 to 2000):

1.	$6 million per year x 16 years (annual operational and maintenance costs assuming no escalation by inflation, increased demand, or major, unusual maintenance or additional reworking of wells in the existing fields)	$ 96,000,000
2.	Development of the Walakpa discovery site and pipeline to Barrow:	200,000,000
3.	Federal management overhead:	8,000,000
		$304,000,000

Funds Recovered by Federal Government

The sale of the gas to the local distributing utility would result in the following income, assuming no increased demand or other changes.

Scenario 1. Should the rate per MCF of gas remain at $0.324:

$.324 x 1.2 million MCF x 16 years = $6,200,000

Scenario 2. Should the rate per MCF be renegotiated using the same formula a used to set the $.324 rate:

$1.00/MCF x 1.2 million x 16 years = $19,200,000

Scenario 3. Should the rate be determined using Natural Gas Policy Act:

$2.50/MCF x 1.2 million x 16 years = $ 48,000,000

Estimated net cost savings to the Federal Government to year 2000.

Scenario 1.	Costs:	$304,000,000
	Income:	6,200,000
	Net Cost:	$297,800,000
Scenario 2.	Costs:	$304,000,000
	Income:	19,200,000
	Net Cost:	$284,800,000
Scenario 3.	Costs:	$304,000,000
	Income:	48,000,000
	Net Cost:	$256,000,000

Estimated Value of Proposed Transfer

A. From Federal Government to Native Groups

The estimated value of all natural gas, surface facilities, rolling stock, sand and gravel, and the surface and subsurface estates proposed to be transferred to the Alaskan Natives groups is very difficult to ascertain due to the uniqueness of the situation and location on the North Slope of Alaska. One technique for deriving estimates is based on comparisons with other sales and leases of properties and facilities in the region. The following figures have been estimated using such a technique. Different values could be obtained if other techniques or procedures were to be used.

NATURAL GAS

Estimated value of the natural gas contained in the East and South Barrow fields and the Walakpa discovery site is obtained by comparison with the value of similar lands offered for lease by the Bureau of Land Management's third lease sale of National Petroleum Reserve-Alaska (NPRA) lands. This sale offered lands that are most similar to the Barrow lands in terms of resource potential, distance from delivery infrastructure, ease of access, etc. The price per acre derived from that sale was $39.80.

Entire subsurface:

Site	No. of Sections	No. of Acres	Per Acre Value	Total
East Barrow	22	14,080	$39.80	$ 560,384
South Barrow	33	21,120	39.80	840,576
Walakpa	136	87,040	39.80	3,464,192
				$4,865,152

Specific horizons:

Site	No. of Sections	No. of Acres	Per Acre Value	Total
East Barrow	9	5,760	$39.80	$ 229,248
South Barrow	8	5,120	39.80	203,776
Walakpa	90	57,600	39.80	2,292,480
				$2,725,504

Total - $ 7,590,656

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

BILL SHEFFIELD
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 19, 1984

The Honorable Malcolm Wallop
Chairman
Subcommittee on Public Lands
Senate Energy Committee
SD-358 Dirksen Building
Washington, D.C. 20510

Dear Chairman Wallop:

This letter is written to offer my support for S. 2762, which your committee has under consideration. The bill accomplishes the important goal of transferring ownership of the Barrow gas field from the Department of the Interior to the North Slope Borough. Such a transfer is necessary as soon as is feasible in order to ensure that the Borough has adequate lead time to plan for the decline of the current production capability of the field.

Because of the existing land ownership patterns and resource values in the area of the field, including federal ownership and land status in the National Petroleum Reserve - Alaska, the transfer includes a complex land exchange. Aside from the legislation's explicit goal of reducing expensive federal obligations to provide subsidized energy to Barrow by transferring ownership of the field to the Borough, the land exchanges are needed to protect other resource values in the area. All parties involved in the decisions - The Borough, the Arctic Slope Regional Corporation, the Department of the Interior, the Alaska Congressional delegation, the State, and environmental groups - worked diligently to assure that the exchanges created a balance which I believe represents the public interest.

The result is embodied in the bill you have before you in Committee. I urge you to act favorably on S. 2762 and encourage you and the Committee to move the legislation through the Congress quickly so that the Borough will be able to assume ownership of the field prior to this winter.

I appreciate your attention to this matter.

Sincerely,

Bill Sheffield

Bill Sheffield
Governor

cc: The Honorable Ted Stevens, U.S. Senate
The Honorable Frank Murkowski, U.S. Senate
The Honorable Don Young, U.S. House of Representatives

STATEMENT OF

EUGENE BROWER, MAYOR, NORTH SLOPE BOROUGH

BEFORE THE

PUBLIC LANDS AND RESERVED WATER RIGHTS SUBCOMMITTEE

OF THE

UNITED STATES SENATE

ON BEHALF OF THE NORTH SLOPE BOROUGH, I STRONGLY SUPPORT PASSAGE OF S. 2762, THE BARROW GAS FIELDS TRANSFER ACT OF 1984. THE NORTH SLOPE BOROUGH IS A LOCAL GOVERNMENT ESTABLISHED UNDER THE LAWS OF THE STATE OF ALASKA. IT WAS OFFICIALLY INCORPORATED JULY 1, 1972, AS A HOMERULE GOVERNMENT. UNDER ALASKA LAW, THE BOROUGH HAS BROAD GOVERNMENTAL AUTHORITIES INCLUDING EDUCATION, TAXATION AND ASSESSMENT, PLANNING AND ZONING, HEALTH SERVICES, UTILITIES, WASTE DISPOSAL, LAW ENFORCEMENT, AND HOUSING AND URBAN RENEWAL.

ALTHOUGH THE BARROW GAS FIELDS HAVE BEEN IN PRODUCTION SINCE 1949, INITIALLY TO SUPPLY ENERGY TO THE NAVAL ARCTIC RESEARCH LABORATORY, AND SUBSEQUENTLY TO OTHER FEDERAL

FACILITIES INSIDE OF THE BARROW COMMUNITY, IT WAS NOT UNTIL 1964 THAT THE COMMUNITY WAS ALLOWED TO PURCHASE GAS FROM THE FEDERAL GOVERNMENT. THIS WAS THE CULMINATION OF A LONG STRUGGLE SPEARHEADED BY THE LATE EBEN HOPSON WHO WAS TO BECOME THE FIRST BOROUGH MAYOR. HE HAD THE UNYIELDING SUPPORT OF OUR STATE AND CONGRESSIONAL DELEGATION. SINCE THAT TIME, THE BARROW GAS FIELDS HAVE PROVED TO BE ONE OF OUR MOST IMPORTANT REGIONAL ASSETS.

THE MAJORITY OF THE PERMANENT RESIDENTS OF THE NORTH SLOPE BOROUGH ARE INUPIAT WHO LIKE MYSELF STILL LIVE THEIR LIVES WITH ONE FOOT PLANTED IN TRADITION AND THE OTHER FIRMLY IN A MODERN ECONOMY. WE STILL RELY ON THE HARVEST OF FISH AND GAME TO SUPPLY MUCH OF OUR NEEDS FOR FOOD AND CLOTHING. AND, WE HAVE LEARNED TO LIVE IN THE HARSHEST ENVIRONMENT IN THE UNITED STATES AND ONE OF THE HARSHEST IN THE WORLD THROUGH ABILITIES LEARNED AND REFINED OVER THOUSANDS OF YEARS. HOWEVER, THE ECONOMICAL ENERGY FROM THE

BARROW GAS FIELDS HAS SERVED TO TEMPER THIS HARSH EXISTENCE BY PROVIDING RELIABLE SOURCES OF HEAT AND ELECTRICITY.

OVER THE LAST SEVERAL YEARS, THE NORTH SLOPE BOROUGH HAS BEEN "ENCOURAGED" TO TAKE OVER THE GAS FIELDS. FEDERAL OFFICIALS HAVE SAID IT IS INCONSISTENT WITH FEDERAL PROGRAMS AND GOALS AND IS A DRAIN ON THE NATIONAL TREASURY. ONCE THE NAVY DECIDED TO DECOMMISSION THE NAVAL ARCTIC RESEARCH LABORATORY, THE LAST MAJOR FEDERAL USER AND REASON FOR FEDERAL INVOLVEMENT WAS REMOVED FROM THE SCENE.

WHEN I SAY THAT WE WERE "ENCOURAGED" TO TAKE OVER THE GAS FIELDS, WE ALL KNOW THAT THAT IS AN UNDERSTATEMENT. THE GAS FIELDS ARE VERY EXPENSIVE TO OPERATE. THE LAST OPERATING YEAR COST THE FEDERAL GOVERNMENT OVER $6 MILLION. HOWEVER, GAS IS PROVIDED TO THE PEOPLE OF BARROW AT RATES PURSUANT TO SECTION 104(E) OF THE NAVAL PETROLEUM RESERVES PRODUCTION ACT OF 1976. IN THAT ACT, CONGRESS COMMITTED THE

FEDERAL GOVERNMENT TO PROVIDE A STEADY SUPPLY OF GAS TO THE BARROW COMMUNITY AT REASONABLE AND EQUITABLE RATES AND TO CONTINUE TAKING WHATEVER ACTION NECESSARY TO CONTINUE THESE SERVICES TO THE COMMUNITY.

GIVEN THE LANGUAGE OF SECTION 104(E) IT IS DIFFICULT FOR US TO VOLUNTARILY GIVE UP THIS CONGRESSIONALLY CREATED RIGHT AND I MUST CANDIDLY ADMIT THAT ON BEHALF OF THE NORTH SLOPE COMMUNITY, I DO SO WITH MIXED FEELINGS. IT IS COMFORTING TO RELY ON A CONTINUING FEDERAL OBLIGATION TO PROVIDE INEXPENSIVE AND RELIABLE ENERGY TO THE BARROW COMMUNITY, SINCE THE ONLY RELIABLE ALTERNATIVE TO THE GAS, DIESEL FUEL, IS 60 TIMES MORE COSTLY FOR EQUIVALENT BTU'S.

ON THE OTHER HAND, THE REALITY MUST BE FACED THAT WITHOUT A MAJOR FEDERAL USER IN BARROW, SUPPORT WILL BE DIFFICULT TO FIND FOR THE DEVELOPMENT OF NEW FIELDS UPON THE DEPLETION OF THE EXISTING BARROW GAS FIELDS. THUS, A

FEELING HAS EVOLVED WHICH I STRONGLY SHARE, THAT IT IS NOW TIME FOR THE BOROUGH TO TAKE OVER THE GAS FIELDS, TO BECOME RESPONSIBLE FOR ITS OWN ENERGY FUTURE. FRANKLY, THE BOROUGH CANNOT AFFORD TO GAMBLE THAT BARROW'S TOTAL ENERGY RESOURCE NEEDS WILL CONTINUE TO BE PROVIDED AT REASONABLE RATES BY THIS ADMINISTRATION OR SUCCEEDING ADMINISTRATIONS. A MERE DELAY IN PUTTING FUTURE GAS RESOURCES ON LINE TO MEET TOTAL BARROW DEMAND WOULD RESULT IN THE NEED TO SUPPLEMENT THE SYSTEM WITH DIESEL OIL AT SIXTY TIMES THE COST PER BTU. THE CONSEQUENCE TO THE RATE PAYERS, THE PEOPLE OF BARROW, WOULD BE DISASTROUS. FURTHERMORE, IT IS INHERENT IN ESKIMO PEOPLE TO CONTROL THEIR ENVIRONMENT AND CIRCUMSTANCES AND TO MAKE THEM PRODUCTIVE IN THEIR LIVES, AND THAT IS TRUE WHETHER WE ARE TALKING ABOUT TRADITIONAL TIMES OR THE TWENTIETH CENTURY, WHETHER ABOUT ENERGY SUPPLIES FROM DRIFTWOOD OR SEAL OIL OR FROM GAS PRODUCED BY MODERN TECHNOLOGY.

39-424 O—84——6

WHEN I MET WITH FORMER SECRETARY WATT A YEAR AND A HALF AGO AND ENTERED INTO THE AGREEMENT WHICH IS ON FILE WITH THIS COMMITTEE AND REFERENCED IN THE LEGISLATION, I HAD SEVERAL GOALS IN MIND: FIRST, I WANTED THE BEST DEAL POSSIBLE FOR MY PEOPLE AND THIS MEANT OBTAINING ENOUGH REVENUES OR REVENUE PRODUCING ASSETS WITH THE GAS FIELDS TO CUSHION THE RESIDENTS AGAINST UNREASONABLE RATE INCREASES; SECONDLY, I WANTED TO MAKE SURE THAT WE RECEIVED ALL OF THE SOUTH AND EAST BARROW GAS FIELDS AND RELATED FACILITIES SO THAT THE BOROUGH WOULD HAVE TOTAL CONTROL OVER THE PRODUCTION SYSTEM; AND FINALLY, I WANTED TO PROVIDE FOR THE ENERGY FUTURE OF BARROW AND OTHER NORTH SLOPE COMMUNITIES SINCE THE PRESENT LIFE OF THE GAS FIELDS WILL NOT LAST BEYOND 1991.

WE BELIEVE THAT THE LEGISLATION AND AGREEMENT WILL ACCOMPLISH MY THREE GOALS. THE $30 MILLION WHICH IS TO ACCOMPANY THE TRANSFER OF THE GAS FIELDS WILL BE AN

EARMARKED FUND AND INVESTED, AND THE INTEREST USED TO INSURE THAT RATES CONTINUE TO BE REASONABLE. THIS IS AN ABSOLUTE NECESSITY BECAUSE THE PRESENT RATES COME NOWHERE CLOSE TO RECOVERING THE COSTS OF PRODUCTION. PLACING THE FULL COST BURDEN ON THE INUPIAT PEOPLE AT THE PRESENT TIME WOULD PRODUCE VIOLENT ECONOMIC DISRUPTION AND WOULD SERVE TO IMPOVERISH MANY RESIDENTS. MY SECOND OBJECTIVE IS ACCOMPLISHED BY THE LEGISLATION AND AGREEMENT CONVEYING THE FULL GAS FACILITY INCLUDING CRITICAL TECHNICAL BACKUP HELP FROM THE U.S. GEOLOGICAL SURVEY.

WITH REGARD TO THE THIRD OBJECTIVE, SUPPLYING LONG TERM, LOW COST ENERGY TO THE PEOPLE OF BARROW AND NEARBY COMMUNITIES, WE ARE IN THE PROCESS OF SEEKING THE BEST AVAILABLE SOLUTIONS AS SOON AS POSSIBLE. WE HAVE COMMISSIONED STUDIES TO EXAMINE ENERGY ALTERNATIVES AND OPTIONS TO REPLACE THE BARROW GAS FIELDS UPON DEPLETION OF THE GAS RESOURCE AND TO PROVIDE NEEDED LOW COST ENERGY TO

THE OTHER BOROUGH COMMUNITIES. THE BILL AND AGREEMENT INCLUDE THE WALAKPA GAS DISCOVERY SITE, A VERY PROMISING FORMATION 19 MILES SOUTH OF BARROW.

I HAVE MADE A STRONG PERSONAL COMMITMENT TO THE GAS TRANSFER LEGISLATION AND TO MAKING IT WORK. IN ANTICIPATION OF THE TRANSFER, I HAVE EXPENDED SEVERAL HUNDRED THOUSAND DOLLARS IN STUDY AND ACTION PROGRAMS NECESSARY FOR A SMOOTH TRANSITION OF THE GAS FIELDS FROM FEDERAL OPERATION TO NORTH SLOPE BOROUGH OPERATION AND FOR LONG TERM ENERGY SOLUTIONS FOR ALL OF THE BOROUGH COMMUNITIES.

WE HAVE RELIED UPON ASSISTANCE FROM THE EXTREMELY COOPERATIVE U.S. GEOLOGICAL SURVEY IN PREPARING FOR THE TRANSITION AND WE WILL DEPEND UPON THEIR ASSISTANCE IN THE FUTURE TO ASSURE A SATISFACTORY OPERATION OF THE GAS FIELDS AND THE SELECTION OF APPROPRIATE ALTERNATIVE ENERGY SOURCES.

DESPITE THE BEST EFFORTS OF THE BOROUGH AND OF THE U.S. GEOLOGICAL SURVEY, IT IS IMPOSSIBLE TO PLAN FOR ALL CONTINGENCIES. FRANKLY, SOME UNCONCEIVED, CATASTROPHIC EVENT COULD RESULT IN OUR REQUEST FOR HELP IN THE FUTURE BEYOND THE ASSISTANCE GUARANTEED IN THE AGREEMENT. NEVERTHELESS, I BELIEVE THE LEGISLATION BEFORE THIS SUBCOMMITTEE PROVIDES THE BOROUGH WITH GREATER ASSURANCES OF MEETING BARROW'S TOTAL DEMAND FOR LONG TERM, LOW COST ENERGY. THEREFORE, IT IS WITH THIS INCREASING REALITY THAT THE BOROUGH MUST PROVIDE FOR ITS OWN ENERGY DESTINY THAT THE BOROUGH AGREES TO THE REPEAL OF A MOST CONSIDERATE AND GENEROUS CONGRESSIONAL ENACTMENT, SECTION 104(E) OF THE NATIONAL PETROLEUM RESERVES PRODUCTION ACT WHICH HAS OBLIGATED THE FEDERAL GOVERNMENT TO PROVIDE GAS TO BARROW. THE BOROUGH IS COMMITTED TO MAKING THIS PROGRAM WORK AND I WANT TO GIVE THE COMMITTEE MY PERSONAL ASSURANCE OF OUR COMMITMENT TO THE TRANSFER AND CONTINUED SUCCESS IN THE OPERATION OF THE GAS FIELDS.

STATEMENT OF ARCTIC SLOPE REGIONAL CORPORATION
BEFORE THE UNITED STATES SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
SUBCOMMITTEE ON PUBLIC LANDS AND RESERVED WATER

June 22, 1984

I. INTRODUCTION

Arctic Slope Regional Corporation (ASRC), on behalf of its 3,600 Native shareholders, appreciates the opportunity to submit this statement on S. 2762 and H.R. 5740 to the Subcommitee on Public Lands and Reserved Water of the Senate Energy and Natural Resources Committee. S. 2762, introduced by Senators Murkowski and Stevens, would transfer to local control the natural gas fields near the village of Barrow, Alaska. Identical legislation, H.R. 5740, introduced by Congressman Don Young, passed the House of Representatives on June 18, 1984. ASRC submits this statement to briefly express the views of the corporation and its shareholders on the pending legislation.

ASRC is one of thirteen Native regional corporations established under the Alaska Native Claims Settlement Act of 1971 (ANCSA). These regional corporations, incorporated as for-profit corporations under the laws of the State of Alaska, will receive title to approximately 44 million acres of land in Alaska as settlement of the aboriginal title claims of the Alaska Native people. Under ANCSA, ASRC has received almost 5

million acres of land, ranking it as one of the largest private land owners in the State. ASRC's land holdings are concentrated on Alaska's North Slope, west and southeast of the 23 million acre National Petroleum Reserve - Alaska (NPRA).

II. BARROW GAS FIELDS

The village of Barrow, Alaska, is the northernmost settlement in the United States, with approximately 3,000 residents, most of whom are Inupiat Eskimos. The village is entirely within the NPRA, originally established by President Harding in 1923 as Naval Petroleum Reserve No. 4.

In exploring the NPRA during and shortly after World War II, the United States Navy discovered a significant reservoir of natural gas just south of Barrow. In the late 1940's, this supply of natural gas was developed for use by the Federal facilities in the Barrow area, but local residents were not permitted to tap into this fuel supply. Instead, the residents of Barrow were forced to import costly fuel oil or rely on meager local sources of energy.

In 1962, Congress authorized the Navy to supply natural gas to the local residents of Barrow. In 1976, Congress passed the Naval Petroleum Reserves Production Act, in which jurisdiction over the NPRA and the Barrow gas fields was transferred from the Navy to the Department of the Interior (the Department). In that Act, Congress required that the Secretary of the Interior continue to supply natural gas at

"reasonable and equitable rates" to the residents of the village as well as to the Federal installations near Point Barrow. Thus, the Congress assured the residents of Barrow that they would continue to share in the Federal government's development and use of local natural resources to meet their energy needs.

As Federal activity in the Barrow area has diminished in recent years, the Department initiated discussions with the North Slope Borough (the Borough) to transfer to the Borough, the local governmental entity, the responsibility of providing natural gas to the local residents of Barrow. Over several years, the Department and the Borough studied the supplies of natural gas in the Barrow area, the costs of operating and maintaining the existing gas fields and of developing necessary additional supplies of energy, and the possible mechanisms to transfer this responsibility to the Borough.

In September 1983, the Department and the Borough executed an Agreement in which the Borough agreed to accept the responsibility of providing energy supplies to the residents of Barrow. Under the Agreement, the Borough would receive title to the Barrow gas fields and the Walakpa field, a major new gas discovery south of Barrow. The Borough would also receive a one-time payment of $30 million to help defray the costs of operating and maintaining the fields.

ASRC has carefully examined the September Agreement. We believe that the Agreement serves the interests of both the Federal government and the residents of the North Slope. Although the Borough must now accept the difficult task of providing adequate energy supplies to the residents of Barrow, the Agreement should result in sufficient financial and technical assistance to the Borough to allow it to fulfill this function. We believe that this Agreement is the first step in providing long-term energy security for the residents of Barrow.

III. TRANSFER OF SAND AND GRAVEL

Since the passage of ANCSA, ASRC has consistently supported the desire of the eight village corporations in the Arctic Slope region of Alaska to obtain the sand and gravel resources underlying village lands. ASRC believes that these sand and gravel resources should be made available to the village corporations to provide them with a reasonable economic base. Without this resource base, the village corporations may be unable to sustain their economic viability over the long term.

The proposed legislation would direct the Secretary of the Interior to convey to Ukpeagvik Inupiat Corporation (UIC), the Village Corporation established under ANCSA by the Native residents of Barrow, the sand and gravel in the gas fields to be transferred to the Borough. ASRC fully supports the transfer of these sand and gravel resources to UIC.

IV. ASRC EXCHANGE

ASRC's particular interest in this transaction arises from its right to receive the subsurface estate of the lands in the Barrow area. Under ANCSA, as originally enacted, the regional corporations were to receive the subsurface estate beneath the surface estate conveyed to the local village corporations. However, in the Arctic Slope region, ASRC was prevented from obtaining the subsurface estate beneath those villages located in the NPRA because, at that time, no development of the NPRA was permitted or envisioned. Instead, Section 12(a) of ANCSA required ASRC to select "in lieu" subsurface estate on lands outside the NPRA.

By 1980, at the time of the passage of the Alaska National Interest Lands Conservation Act (ANILCA), it was clear that the NPRA would soon be opened to private leasing and development of its oil and gas reserves. To ensure that ASRC could obtain the subsurface beneath its villages if NPRA were opened to development, Congress enacted Section 1431(o) of ANILCA. That provision assured ASRC that, in the event of private development in the vicinity of its villages, there would be local control over any potential development on village lands.

Under Section 1431(o), ASRC, at its sole option, may exchange a portion of its "in lieu" subsurface lands for an equal acreage of the subsurface estate beneath the lands selected by a village corporation in NPRA whenever lands in the

vicinity of the village are leased for oil and gas development. Since lands near Barrow have been leased to private companies for development, ASRC's right to the subsurface estate beneath UIC's surface estate has been triggered and ASRC may now exchange, on an acre-for-acre basis, its "in lieu" subsurface estate for the Barrow subsurface.

Rather than triggering its Section 1431(o) rights in the Barrow area, and thereby upsetting the delicate agreement that had been reached by the Borough and the Department, ASRC initiated separate discussions with the Department in the fall of 1983. Those discussions culminated in an Agreement between the Department and ASRC on January 24, 1984.

Under this Agreement, ASRC agreed to relinquish its rights under Section 1431(o) with respect to the Barrow gas fields and the Walakpa gas discovery site. ASRC also agreed to convey to the United States almost 140,000 acres of its "in lieu" subsurface estate in exchange for approximately 70,000 acres of fee estate and surface estate just south of Barrow. The lands to be obtained by ASRC are adjacent to lands owned by the Barrow Village Corporation. Thus, rather than exercising its rights under Section 1431(o) and thereby frustrating the Borough Agreement, ASRC opted to relinquish a portion of its "in lieu" subsurface estate to obtain additional lands in the Barrow area. If consummated, this exchange would eliminate a significant amount of subsurface estate held by ASRC beneath

Federal surface estate, and would consolidate ASRC's land holdings in the vicinity of its largest village.

In the January 24, 1983 Agreement, ASRC identified 70,000 acres of "in lieu" subsurface estate to be transferred to the Federal government and agreed to identify by October 31, 1984 an additional 70,000 acres of subsurface estate for conveyance to the Federal government. In subsequent discussions, ASRC has agreed to substitute more than 100,000 acres of subsurface estate that it owns in the Gates of the Arctic National Park (the Park) for the unidentified 70,000 acres of "in lieu" subsurface estate. As set forth in Section 5(b) of the proposed legislation, ASRC would identify for conveyance or relinquishment to the United States the 101,000 acres of subsurface estate in the Park that underlies the surface estate that ASRC conveyed to the Federal government last summer pursuant to an August 9, 1983 Agreement between ASRC and the United States.

As a result of this substitution, ASRC has agreed to convey to the United States more than 170,000 acres of subsurface estate that underlies Federal surface estate. Thus, if the ASRC Agreement is made effective by passage of this legislation, a substantial amount of ASRC subsurface estate on the North Slope would be eliminated. This would partially resolve the split estate problem caused by ANCSA, significantly reducing a difficult management problem confronted by the United States, the surface owner.

V. THE PROPOSED LEGISLATION

The proposed legislation, S. 2762 and H.R. 5740, would assure that the goals and objectives of the North Slope Borough, the Ukpeagvik Inupiat Corporation, the Arctic Slope Regional Corporation, and the United States would be achieved in a consistent and mutually beneficial manner. The Federal government would be relieved of the obligation to supply energy resources to the residents of Barrow. The North Slope Borough would be assured of the necessary resources -- physical, financial and technical -- to provide adequate energy supplies to its residents for the foreseeable future. The Village Corporation would receive sand and gravel resources to help sustain its economic viability. And finally, Arctic Slope Regional Corporation would be permitted to consolidate its land holdings on the North Slope in a fair and equitable manner that compensates it for the relinquishment of its rights to the subsurface estate to be transferred to the Borough and UIC. Significantly, in addition to the 70,000 acres of "in lieu" subsurface estate west of NPRA to be transferred to the Federal government, ASRC would also convey to the government over 100,000 acres of subsurface estate in a major national park in Alaska, eliminating a potential development threat to park values.

In view of these many benefits to the public interest and the interests of the various entities of the North Slope of

Alaska, ASRC enthusiastically supports the proposed legislation and urges Congress to act favorably on this legislation as quickly as possible.

Thank you for providing ASRC an opportunity to express its views on the proposed legislation.

THE WILDERNESS SOCIETY

FOUNDED IN 1935

STATEMENT OF SUSAN ALEXANDER, REPRESENTING THE WILDERNESS SOCIETY BEFORE THE PUBLIC LANDS AND RESERVED WATER SUBCOMMITTEE OF THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE, ON S. 2762, "THE BARROW GAS FIELD TRANSFER ACT of 1984," JUNE 22, 1984.

Mr. Chairman, I am Susan Alexander, Director of Alaska Programs for The Wilderness Society. The Wilderness Society, founded in 1935, is a non-profit conservation organization of over 105,000 members, dedicated to the proper management of America's public lands and the preservation of its wilderness areas. The Society has a long history of involvement in the preservation of Alaska and played a major role in the passage of the Alaska National Interest Lands Conservation Act.

First of all, I want to thank the Chairman for holding a hearing on S. 2762 and providing for public participation in the formulation of the bill. Public involvement is particularly important in this case because the Barrow Gas Field Transfer Act is not simple legislation which merely relieves the United States Government of its responsibility to supply the village of Barrow with energy. On the contrary, it is extremely complex legislation which incorporates two complicated contracts devised to meet the needs of the North Slope Borough and the Arctic Slope Regional Corporation through transfers of various tracts of land and rights therein. I would further like to note that S. 2762 is narrow legislation intended to resolve the narrow problem of how most economically and efficiently to meet the energy requirements of certain North Slope villages.

Since we learned of the proposed legislation in early April, we have worked diligently with all the interested parties to make it an environmentally sound bill which protects the national interest. Among other things, the North Slope Borough agreed not to select lands or use the test wells in certain particularly sensitive areas in the National Petroleum Reserve-Alaska (NPR-A). We would like to commend them for their cooperation on this matter. However we believe these areas should be given greater statutory protection to ensure the preservation of these critical wildlife habitats and populations.

Among the NPR-A's fragile areas is one previously recognized as such by Congress, the Utukok Uplands. Is is a major caribou migration route and calving area for the Western Arctic caribou herd. Historically the largest herd in North America, it is the only major herd in Alaska whose entire range is neither bisected by roads nor altered by development. Furthermore its calving area is also habitat for the largest and most productive population of grizzly bears in northern Alaska. Finally the herd constitutes a major subsistence resource for the residents of northwestern Alaska.

The other Congressionally designated special area is Teshekpuk Lake which is likely to be seriously degraded by development at the very fragile Cape Halkett and is further threatened by the efforts of certain parties to acquire Camp Lonely for development purposes. Teshekpuk Lake is the largest known molting area in the world for non-breeding black brant, a species particularly

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sensitive to human activities. Its coastal salt marshes are a major staging area used by black brant and other geese to prepare for their journey south. The area is vital to thousands of shorebirds, waterfowl and mammals and is also the year-round range of the Teshekpuk Lake caribou herd. These are just some of the reasons why the NPR-A's extremely fragile areas should not be developed. We urge the Committee to consider the larger questions regarding the proper management of the NPR-A and specifically the protection of the special areas.

I would like to commend the Arctic Slope Regional Corporation for agreeing to convey the remainder of their subsurface holdings at Chandler Lake in Gates of the Arctic National Park. The conveyance will help consolidate federal ownership of the park lands, thereby providing maximum management flexibility to the National Park Service to protect these national interest lands.

Finally, Mr. Chairman, the Committee should note the cooperation among the interested parties that produced an environmentally sound bill that will ensure a continuous energy supply to the North Slope Villages. I hope the cooperative spirit established through this process continues to the benefit of all those concerned about the future of Alaska.

To sum up, though we would like to see further restrictions on development in portions of the NPR-A, we recognize that this is narrow legislation aimed at resolving a specific problem. Nevertheless, in light of the fact that the bill in no way amends ANILCA and includes certain environmental safeguards to protect the national interest, The Wilderness Society has no objection to its expeditious passage.

AGREEMENT BETWEEN THE UNITED STATES DEPARTMENT OF THE INTERIOR AND THE NORTH SLOPE BOROUGH

SECTION 101. Purpose

The purpose of this Agreement is to transfer from the United States to the North Slope Borough in the State of Alaska responsibility for the development and operation of the Barrow gas fields and the Walakpa gas discovery site, and to convey certain rights to the lands involved, and for other purposes.

SECTION 102. Definitions

As used in this Agreement, the term:

(1) "Secretary" means the Secretary of the Interior.

(2) "North Slope Borough" means the political subdivision of the same name in the State of Alaska.

(3) "Act" means the legislation enacted to accomplish the purposes of this Agreement.

(4) "Subsurface estate" means all of the fee simple estate in lands, excluding the surface estate and the sand and gravel.

(5) "Fluid hydrocarbons" means the class of organic compounds that make up natural gas, condensate, and oil forming on continuous series that exist as gases or liquids at standard temperature and pressure (60°F, 1 atm. pressure).

(6) "Gas and entrained liquid hydrocarbons" means natural gas and the entrained liquids that would ordinarily require separation from the gaseous phase prior to the sale of the gas.

(7) "Barrow gas fields" means all of the subsurface estate in--

(a) the East Barrow gas field:

Umiat Meridian

Township 22 north, range 17 west, sections 13 through 15, 22 through 27, and 34 through 36; and Township 22 north, range 16 west, sections 16 through 21, and 28 through 31;

(b) the South Barrow gas field:

Umiat Meridian

Township 22 north, range 18 west, sections 10 through 15, 21 through 28, and 33 through 36; Township 21 north, range 18 west, sections 1, 2, and 10 through 15; Township 22 north, range 17 west, section 31; and Township 21 north, range 17 west, sections 4 through 8, and 18.

(8) "Walakpa gas discovery site" means all of the subsurface estate in--

Umiat Meridian

Township 21 north, range 19 west, sections 25 through 28, and 33 through 36; Township 21 north, range 18 west, sections 31 and 32; Township 20 north, range 18 west, all; Township 20 north, range 19 west, all; Township 20 north, range 20 west, all; Township 19 north, range 18 west, sections 1 through 6; Township 19 north, range 19 west, sections 1 through 6; and Township 19 north, range 20 west, sections 1 through 6.

(9) "Horizon areas" means the following:

Umiat Meridian

Only that portion of the subsurface estate, if any, in Township 22 north, range 16 west, sections 22, 23, 26, 27, and 32 through 36; Township 21 north, range 18 west, sections 3, 4, 9, 16, and 21 through 24; capable of producing fluid hydrocarbons from the

sandstone unit within the Kingak shale of Jurassic age, locally called the "Barrow gas sands", and from the basal unconformity sand of Juro-Cretaceous age at or near the contact of the pebble shale "Cretaceous" on the Kingak shale. The Barrow gas sands are generally separated by a thin shale unit into two subunits referred to as the "lower Barrow gas sand" and the "upper Barrow gas sand." The producing zone in the discovery well, South Barrow No. 2 located in Township 22 north, range 18 west, section 14, is identified on the Schlumberger electric logs of said well dated March 3, 1949, as follows: Basal sands at drill depths 2326′ to 2330′ and Barrow sands at drill depths 2340′ to 2388′.

Only that portion of the subsurface estate, if any, in Township 19 north, range 18 west, sections 7 through 36; Township 19 north, range 19 west, sections 7 through 36; and Township 19 north, range 20 west, sections 7 through 36; capable of producing fluid hydrocarbons from the "Walakpa Sandstone." The Walakpa Sandstone also known as the "Pebble Shale Sandstone," the "Unconformity Sandstone," or the "Kuparuk River Sandstone," represents the lowermost Neocomian (Cretaceous) and rests unconformably on the Jurassic Kingak Shale. It is the natural gas reservoir of the Walakpa gas discovery and was first identified between the depths of 2070' and 2087' in the electric logs of Walakpa well Number 1, located in section 9, Township 20 north, range 19 west, and between the depths of 2604' and 2637' in Walakpa Number 2, located in section 31, Township 20 north, range 19 west, Umiat Meridian. The Walakpa Sandstone is not the same as the Barrow or Sag River Sandstones.

(10) "Related support facilities" includes--

(a) gas wells numbered 4, 5, 6, 7, 8, 9, 10, 11 and 13 along with all well houses, gathering lines, production and metering facilities, the electrical generating plant, and all ancillary buildings in the South Barrow gas field;

(b) gas wells numbered 12, 14, 15, 16, 17, 18, 19 and 20 along with all well houses, gathering lines, production and metering facilities, electrical generating plant, and all ancillary buildings in the East Barrow gas field;

(c) the pipeline between the South and East Barrow gas fields and the roads to the gas fields and wells;

(d) several pallets of oil field chemicals and mud, oil field tubular goods, timber pilings and the inventory of gas field small parts, located at Barrow and the NARL facilities;

(e) the vehicles and road maintenance equipment and assorted U.S. Geological Survey (USGS) personal property which are at Barrow and the NARL facilities, as well as the portable drilling camp stored at the South Barrow gas field; and

(f) the inventory and equipment attached as Appendix 1.

(11) "Cape Simpson DEW site" means the surface estate of lands beginning at a point on the south shore of Beaufort Sea, approximate latitude 71° 03' N., longitude 154° 43' W., from which point the United States Coast and Geodetic Survey Triangulation Station "Marta" bears S. 5° 50' 55" E., approximately 2,110 feet, thence S. 57° 39' 05" W., 3,420 feet; thence N. 32° 20' 55" W., 2, 930 feet; thence N. 57! 39' 05" E., 3,390 feet; thence Southeasterly, 2,940 feet along the shore of the Beaufort Sea to

the point of beginning. The total area described contains approximately 229 acres.

(12) "Geological assistance" means technical assistance rendered by a subsurface geologist, geophysicist, or paleontologist dealing mainly with the planning and analysis of exploration and development drilling programs. Geological assistance does not include the siting of wells to be drilled to increase the recoverable reserves of a reservoir.

(13) "Operational assistance" means technical assistance generally rendered by a petroleum engineer dealing mainly with the development and production of known reserves of natural gas including designing and siting of collecting equipment, siting of production wells, the testing of those wells, and the calculation of reserves.

(14) "National Petroleum Reserve-Alaska" or "NPR-A" means the area transferred to and administered by the Secretary of the Interior under section 102 of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6502).

.TRANSFER OF INTERESTS: EXTINGUISHMENT OF FEDERAL OBLIGATIONS

SECTION 201. Transfer of Gas Fields, Site, Horizon Areas, Funds and Facilities

(a) By October 1, 1984, the Secretary shall convey to North Slope Borough, subject to valid existing rights:

(1) All right, title and interest to the subsurface estate held by the United States to the Barrow gas fields and the Walakpa gas discovery site.

(2) The right to explore for, mine or remove fluid

hydrocarbons from the horizon areas, except that the United States reserves for itself or anyone acting under its authority, the right of vertical ingress and egress through the horizon areas, if any, and all existing surface access rights to its retained subsurface estate.

(3) The related support facilities.

(b) The conveyance under subsection (a) of this section shall be for the purpose of providing supplies of natural gas and other minerals to the population of North Slope Borough.

(c) The Secretary shall pay the North Slope Borough not more than $30,000,000 as soon as possible after the date of enactment of the Act. Such payment shall, to the extent possible, be derived from funds previously appropriated to the United States Geological Survey for study, exploration, development, or operation of the National Petroleum Reserve-Alaska (NPR-A) or the Barrow gas fields. The North Slope Borough shall annually provide the Secretary with written notification that monies paid under this subsection, including interest thereon, have been spent for the purpose of supplying natural gas or electricity to the population of North Slope Borough.

SECTION 202. Transition Period

The Department of Interior will continue to operate the Barrow gas fields during a period of transition extending to midnight September 30, 1984. During this period the North Slope Borough will be guaranteed access to examine and assess gas field facilities, equipment and materials, staffing, training, operating procedures, record keeping and other facilities or functions germane to the operations of the Barrow gas fields and also will be allowed to conduct orientation and training

programs on the lands and within the facilities of the Barrow gas fields upon the approval of the Department of Interior. Furthermore, the Department of Interior will assist the North Slope Borough in developing a North Slope Borough operations program for assumption of the Barrow gas fields on October 1, 1984.

SECTION 203. Transfer of Other Lands and Interests

(a) (1) As soon as possible, the Secretary shall convey to North Slope Borough all right, title and interest of the United States to the surface estate of the Cape Simpson DEW site. This conveyance shall also include the right to sand and gravel within the Cape Simpson DEW site so long as the sand and gravel are used on lands within the exterior boundary of North Slope Borough and are not used for purposes of commercial sale.

(2) In making the conveyance directed in subsection (a)(1) of this section, the Secretary shall reserve to the United States a 3.7 acre site easement for, and an access easement to, a tower administered by the United States Coast Guard and the right to maintain, operate, repair or improve the tower so long as the tower is needed or used for or by the United States after which time such easement shall merge with the surface estate of the North Slope Borough. The tower is located at approximate latitude 70° 03' 23.6" N., longitude 154° 43' 36.4" W. The site easement is 400 feet by 400 feet with the tower located in the center. The access easement is located along the existing route from the air strip to the tower.

(b) During a period of three years after the date of enactment of this Act, North Slope Borough shall have the right to select the surface estate to one parcel of land not to exceed 320 acres. This parcel shall

be selected from Federal lands located within the exterior boundary of the North Slope Borough, lying west of the Canning River, but not including lands within conservation system units, within the inner corridor of the Trans-Alaska Pipeline System, or lands to which there is a prior valid claim for title. Upon selection, the Secretary shall convey the surface estate to the lands selected under this subsection. This conveyance shall also include the right to sand and gravel so long as the sand and gravel are used on lands within the exterior boundary of North Slope Borough and are not used for purposes of commercial sale.

(c) (1) The Secretary shall convey the surface estate and rights to sand and gravel to the lands selected under subsection (b) of this section to North Slope Borough either before or after a survey. If a lease, contract, permit, right-of-way, or easement has been issued to the surface estate by the United States before conveyance under this subsection, the conveyance shall be subject to that instrument and the right of the holder of the instrument to the complete enjoyment of all rights, privileges, and benefits granted to the holder. Upon issuance of the conveyance, the North Slope Borough shall succeed to any and all interests of the United States to the proceeds for use of the surface estate, as lessor, contractor, permitter, or grantor, in any instrument involving the land conveyed. The United States shall continue to administer its rights under the instrument unless administration is specifically waived by the Secretary.

(2) If the conveyance does not cover all of the land embraced within any instrument described in subsection (c)(1) of this section, the North Slope Borough shall only be entitled a proportionate amount of

the revenues received by the United States for use of the surface estate contained in the instrument.

(d) The Secretary shall quitclaim such water rights and grant such rights-of-way, held by the United States on Federal lands, as necessary to provide energy supplies to Barrow and other North Slope villages from within or outside the reserve, including rights-of-way for transmission of electricity or gas pipelines and associated service roads or facilities to or between such villages. The final alignment and location of such rights-of-way shall be in the discretion of the Secretary.

(e) On lands where the surface estate is retained by the United States under this Agreement, North Slope Borough shall be subject to all applicable laws and regulations concerning use and occupancy of the surface estate, except as provided by this Agreement and the Act.

(f) When revenues generated from any use, other than commercial resale or exchange, of mineral materials transferred to North Slope Borough under the Materials Act of 1947 (30 U.S.C. 601 et seq.), are dedicated to the operation, maintenance, development, or transportation of gas or electricity to the residents of the North Slope Borough, the use shall not be considered a commercial or industrial purpose under that Act.

SECTION 204. Extinguishment of Federal Obligations

Any duty placed upon the United States to provide gas service to the Native Village of Barrow, and other communities and installations at or near Point Barrow, Alaska, under subsection 104(e) of the Naval Petroleum Reserve Production Act of 1976 (42 U.S.C. 6504(e)) is extinguished effective October 1, 1984.

SECTION 205. Survey Requirements

Except as may be necessary under sections 203(a) and (b) of this Agreement, no cadastral survey shall be made on lands or interests in lands conveyed under the Act.

OTHER SOURCES OF GAS; TECHNICAL ASSISTANCE

SECTION 301. Use of Other Sources of Gas for Heating and Electricity

(a) For purposes of ordinary consumption for heating and electricity by the village population of the North Slope Borough:

(1) The Secretary shall make available to North Slope Borough at the wellhead portions of royalty gas received by the Secretary from Federal oil and gas leases within the National Petroleum Reserve-Alaska (NPR-A), at a price determined by the gross proceeds received by the Federal lessee at the wellhead.

(2) The North Slope Borough is authorized to exploit and use gas and entrained liquid hydrocarbons from lands included within terminated, expired or surrendered Federal onshore oil and gas leases within NPR-A. If the lands are leased again by the Secretary for oil and gas development, use of gas and entrained liquid hydrocarbons shall be governed by subsections (1) and (3) of this section.

(3) The North Slope Borough is authorized, with the consent of the lessee and under mutually agreeable terms and conditions, to exploit and use gas and entrained liquid hydrocarbons from non-producing wells capable of production, including capped wells, in Federal oil and gas leases within NPR-A. Any Federal oil and gas lessee consenting to the exploitation of gas described in this

subsection may charge its working interest in the value of the natural gas and entrained liquid hydrocarbons removed against royalties owed to the United States from other hydrocarbon production of that lessee in NPR-A.

(4) The North Slope Borough is authorized to exploit and use gas and entrained liquid hydrocarbons from Federal test wells in NPR-A so long as the wells are not included in tracts actually leased by the United States for oil and gas. Use of gas and entrained liquid hydrocarbons from test wells in tracts under lease will be governed by subsections (1) and (3) of this section.

(b) North Slope Borough shall be responsible for:

(1) The installation of any necessary production and transportation equipment and any treatment necessary to produce and use gas and entrained liquid hydrocarbons under sections 301(a)(2), and (3) and (4) of this Agreement.

(2) Transportation of gas under subsection 301(a)(1) of this Agreement.

(3) Reimbursing the Federal lessee, if any, for use of any of its equipment required for production, treating and transportation of such gas and entrained liquid hydrocarbons.

(c) If the North Slope Borough abandons any Federal test well or lands within a terminated, expired or surrendered lease, it shall be responsible for all costs associated with abandonment and reclamation of the lands and facilities involved, and shall be subject to all applicable Federal rules and regulations in effect at the time of abandonment.

(d) The wellhead price for natural gas and entrained liquid hydrocarbons used by the North Slope Borough under subsections 301(a)(2), (3) and (4) shall be determined by the formula currently in force to determine the wholesale price of natural gas sold to the Barrow Utilities and Electrical Cooperative, Inc. This formula uses the wholesale price for gas charged in Anchorage, Alaska, adjusted by proportional factors for average monthly wage per worker, annual average amount of gas consumed, average number of workers per household, and the cost of living index, all for the village using the gas. The wholesale price to be paid by the North Slope Borough is determined by this subsection and is considered a ceiling price or maximum.

SECTION 302. Natural Gas to Federal Agency Users

The North Slope Borough shall provide on a nondiscriminatory basis natural gas supplies to Federal agency users including, but not limited to, the Public Health Service, Federal activities at the former Naval Arctic Research Laboratory, and the United States Air Force, at the rate for gas approved by Alaska Public Utilities Commission, or at rates charged to comparable classes of users and at a location agreed to by the United States and the North Slope Borough.

SECTION 303. Technical Assistance

The U.S. Geological Survey will provide the following technical assistance to North Slope Borough to accomplish the purposes of this Agreement:

(a) Geological and operational assistance, but not beyond March 31, 1985;

(b) Geological and operational assistance for the modernization program for the South Barrow gas field, but not

beyond March 31, 1985;

(c) Geological assistance for the drilling of new wells or workover of existing wells in the East or South Barrow gas fields, provided it occurs prior to December 31, 1987; and

(d) Geological assistance in formulating an exploration and development plan for the Walakpa gas discovery site and other sites under section 301(a), subject to the following:

(1) U.S. Geological survey will not be required to obtain additional geological, geophysical or geochemical data, except what is obtained in the ordinary course of the discharge of its NPR-A assignment; and

(2) All tasks and obligations of the U.S. Geological Survey attending the development of any exploration and development plan under this subsection will be completed by September 30, 1989.

SECTION 304. Authorizing Legislation

Both the Secretary of the Interior and the North Slope Borough agree to pursue legislation necessary to accomplish or authorize the provisions of this Agreement substantially in the form as attached to this Agreement as Appendix 2. In the event that such legislation is not enacted by October 1, 1984, this Agreement shall be null and void.

James G. Watt
Secretary, Department of Interior

9/22/1983
Date

Eugene Brower
Mayor, North Slope Borough

Sept. 22, 1983
Date

Appendix 1

NATURAL GAS IMPROVEMENTS, EQUIPMENT, AND SUPPLIES TO BE TRANSFERRED TO NORTH SLOPE BOROUGH

I. GAS FIELD IMPROVEMENTS:

Road network from southern boundary of NARL withdrawal to South and East Barrow gas fields and to wells in these fields.
Transmission pipeline between South and East Barrow gas fields.
Wellheads, well houses, valves, meters, gathering lines within the fields, and all associated gas production facilities, South and East Barrow gas fields.
Automated monitoring system in South and East Barrow gas fields.
Powerline and telephone between the South and East Barrow gas fields.
Generators and powerhouse in South Barrow gas fields (3 @ 125 KW) and emergency generators (1 @ 75KW, 1 @ 50 KW) and East Barrow gas field (2 @ 130 KW).

II. BUILDINGS, MAJOR EQUIPMENT, SUPPLIES, AND SPARE PARTS:

Portable drilling camp at South Barrow gas field
1 front-end loader (Caterpillar, Model 966C)
1 grader (Champion)
1 crawler tractor (Terex, Model 7220)
1 fork lift (Caterpillar, Model GV40B)
5 light vehicles (3 pickups, 2 vans)
1 truck, oilfield (Autocar, Model DC10364)
1 trailer, lowboy
1 snow melter
2 Bombadier all terrain track vehicles
2 track vehicles (Sprite)
3 Rolligons
1 Delta Three (Foremost)
3 Snowcats (Tucker: 2 Model 1743, 1 Model 1744)
1 compactor (Engersol Rand, Model SP-54)
Piling, 300 wood piles
Tubular gas field goods, muds, oil field chemicals, gas field spare parts including valves, meters, tools, and other supplies

AGREEMENT BETWEEN THE UNITED STATES OF AMERICA
AND ARCTIC SLOPE REGIONAL CORPORATION

THIS AGREEMENT entered into this 24th day of January, 1984, is by the UNITED STATES OF AMERICA, acting through the Secretary of the Interior (hereinafter "Secretary"), and ARCTIC SLOPE REGIONAL CORPORATION (hereinafter "ASRC"), a corporation authorized pursuant to the Alaska Native Claims Settlement Act (hereinafter "ANCSA"), 85 Stat. 688, as amended, 43 U.S.C. § 1601, et seq., and duly organized under the laws of the State of Alaska. The Secretary and ASRC are collectively referred to as "the parties".

W I T N E S S E T H:

WHEREAS, the parties recognize that land exchanges provide a mutually desirable means of acquiring lands of respective interest to the parties; and

WHEREAS, the Secretary desires to acquire subsurface estate currently owned by ASRC, which subsurface underlies surface estate currently owned by the United States; and

WHEREAS, the Secretary has determined that the acquisition of such subsurface estate will eliminate a substantial number of acres of split estate on Alaska's North Slope, which split estate presents significant management problems for the United States; and

WHEREAS, under the provisions of § 1431(o) of the Alaska National Interest Lands Conservation Act (hereinafter

"ANILCA"), Pub. L. 96-487, 94 Stat. 2371, 2542, ASRC is entitled, at its option, to exchange in-lieu subsurface lands which it selected pursuant to the provisions of § 12(a)(1) of ANCSA for an equal acreage of the subsurface estate beneath those lands selected by and conveyed to Ukpeagvik Inupiat Corporation (hereinafter "UIC"), the Village Corporation established by the Native residents of the Village of Barrow, pursuant to the provisions of ANCSA, which lands are within the exterior boundaries of the National Petroleum Reserve - Alaska (hereinafter "NPR-A"); and

WHEREAS, ASRC's ability to exercise its entitlement under § 1431(o) of ANILCA is contingent only upon the concurrence of UIC and the opening for purposes of commercial development of oil and gas of NPR-A lands within 75 miles of land selected by UIC; and

WHEREAS, NPR-A lands within 75 miles of lands selected by UIC have been opened to leasing for purposes of commercial development of oil and gas, thus triggering the ability of ASRC to exercise its entitlement under the provisions of § 1431(o) of ANILCA; and

WHEREAS, the Secretary of the Interior and the North Slope Borough (hereinafter "NSB") executed, on September 22, 1983, an Agreement which, among other provisions, would direct the United States to convey to NSB and UIC interests in the subsurface estate beneath lands the surface estate of which has previously been selected by and conveyed to UIC; and

WHEREAS, ASRC recognizes the valid objectives of the United States and NSB in the proposed conveyance to NSB and UIC of interests in the subsurface estate beneath lands the surface estate of which has been conveyed to UIC, and ASRC is willing to relinquish the entitlement to such subsurface interests which it has under § 1431(o) of ANILCA; and

WHEREAS, ASRC desires to acquire lands in the vicinity of the Native Village of Barrow, the largest Native village on Alaska's North Slope, which lands are adjacent to lands the surface estate of which is owned by UIC; and

WHEREAS, the proposed exchange will eliminate split estate on Alaska's North Slope in exchange for lands in proximity to the Native Village of Barrow; and

WHEREAS, the proposed land exchange will provide for the consolidation of land ownership and facilitate improved land management on Alaska's North Slope; and

WHEREAS, both UIC and NSB have expressed to the Secretary their strong support for this exchange in which ASRC would receive lands in the vicinity of the Native Village of Barrow; and

WHEREAS, the parties recognize that legislation has been prepared for submission to Congress to effectuate this Agreement and the proposed exchange contained herein, upon the enactment of which legislation this Agreement will become effective;

NOW, THEREFORE, in consideration of their mutual promises and other good and valuable consideration, the parties hereto covenant and agree as follows:

1. The parties agree to pursue legislation specifically authorizing the provisions of this Agreement. In the event of enactment of such authorizing legislation, the parties agree to the provisions specified in the following paragraphs and to be bound thereby. Prior to the enactment of such legislation, neither party shall undertake any action required by this Agreement or receive any benefit hereunder, except that the parties agree hereafter not to encumber property proposed to be exchanged or conveyed to the other party under this Agreement in accordance with the provisions of paragraph 16(c) of this Agreement. If such legislation is not enacted by October 1, 1984, this Agreement shall be null and void and the parties shall return to their status and rights prior to the execution of the Agreement. The commitments made in this Agreement are binding on the parties only upon enactment of legislation by the Congress of the United States authorizing and permitting the commitments made by the parties.

2. The parties agree to pursue the land exchange specified in the following paragraphs. The provisions of paragraph 3 of this Agreement shall constitute a contractual offer to ASRC. This contractual offer shall not be binding upon the parties until and unless ASRC accepts this contractual

offer in writing and conveys to the United States the lands described in paragraph 4 of this Agreement.

3. (a) The Secretary of the Interior shall convey, not later than December 31, 1984, to ASRC, subject to valid existing rights, the following:

(1) all right, title and interest of the United States in the following described lands:

Umiat Meridian

Township 19 north, range 18 west, sections 7 through 36;

Township 19 north, range 19 west, sections 7 through 36; and

Township 19 north, range 20 west, sections 7 through 36;

except for all right, title and interest of the United States to the natural gas (including dry associated gas) and sand and gravel in these lands, if any; and

(2) all right, title and interest of the United States in the surface estate and the sand and gravel in the following described lands:

Umiat Meridian

Township 19 north, range 18 west, sections 1 through 6;

Township 19 north, range 19 west, sections 1 through 6; and

Township 19 north, range 20 west, sections 1 through 6.

(b) The Secretary shall except and reserve to the United

States, from the lands described in subparagraph (a) of this paragraph 3, public easements identified through mutual agreement by the Secretary and ASRC not later than June 30, 1984, or, if the Secretary and ASRC are unable to mutually agree upon such easements by June 30, 1984, identified pursuant to a process similar to the procedure under § 17(b) of ANCSA and subject to the standards of 43 C.F.R. § 2650.4-7.

4. ASRC shall convey to the United States, subject to valid existing rights, all right, title and interest of ASRC in the following described lands:

Umiat Meridian

Township 10 south, range 52 west, sections 13 through 36;

Township 11 south, range 52 west, sections 1 through 4, 9 through 12;

Township 10 south, range 51 west, sections 19 through 36;

Township 11 south, range 51 west, sections 1 through 12;

Township 10 south, range 50 west, sections 19 through 36;

Township 11 south, range 50 west, sections 1 through 18;

Township 11 south, range 49 west, sections 1 through 10; and

an additional 69,120 acres of subsurface estate, to be identified, not later than October 31, 1984, by ASRC in its sole discretion from lands the subsurface estate of which is owned by ASRC and the surface estate of which is owned by the

Federal government, which subsurface estate shall be reasonably compact and in whole sections where they are available, or shall include all available subsurface interests of ASRC in less than whole sections and, wherever feasible, shall be in units of not less than 1,280 acres.

5. ASRC shall convey to the United States the interests in lands described in paragraph 4 of this Agreement by warranty deed, together with an appropriate corporate resolution and opinion of counsel.

6. Upon conveyance to it of the lands, or interests therein, described in paragraph 3 of this Agreement, ASRC is authorized, notwithstanding any other provision of law, to explore for, develop, and produce hydrocarbons or other resources from the lands and interests conveyed.

7. The parties agree that all of the lands, or interests therein, conveyed to and received by ASRC pursuant to this Agreement shall be deemed conveyed and received pursuant to an exchange under § 22(f) of ANCSA, as amended.

8. The parties agree that the land conveyances authorized under this Agreement, if consummated, shall not affect the entitlement of ASRC under § 12 of ANCSA. The parties agree that those lands previously conveyed to ASRC pursuant to § 12(a)(1) of ANCSA the subsurface estate of which is to be conveyed to the United States by ASRC pursuant to paragraph 4 of this Agreement will remain charged to ASRC

against its entitlement under ANCSA. The parties further agree that ASRC will receive no credit or reduction against those acres conveyed to it as a result of its reconveyance of those lands described in paragraph 4 of this Agreement and the conveyance to it of those lands described in paragraph 3 of this Agreement.

9. To the extent that any provision or interpretation of the Agreement between the Secretary of the Interior and NSB, dated September 22, 1983, is inconsistent with the provisions of this Agreement, the parties agree that the provisions of this Agreement shall control. The parties recognize that NSB has indicated to the Secretary its full concurrence in the provisions of this Agreement.

10. ASRC agrees to relinquish any entitlement that it may have under § 1431(o) of ANILCA or any other provision of law to a conveyance of those interests in the subsurface estate beneath lands the surface estate of which has been selected by or conveyed to UIC pursuant to § 12 of ANCSA, which interests are to be conveyed to NSB or UIC pursuant to the provisions of the September 22, 1983 Agreement between the Secretary of the Interior and NSB. This relinquishment shall only be effective upon enactment of legislation confirming this Agreement and the September 22, 1983 Agreement.

11. The Secretary agrees that he shall convey to NSB all right, title and interest of the United States to the natural

gas (including dry associated gas) and sand and gravel, if any, in the lands described in paragraph 3(a)(1) of this Agreement, at the time of conveyance to ASRC, pursuant to the provisions of paragraph 3(a)(1) of this Agreement, of all other right, title and interest of the United States in those lands.

12. ASRC agrees that it shall provide to NSB all easements reasonably necessary for the development, use, and transportation of natural gas (including dry associated gas) and sand and gravel, if any, conveyed to NSB in the lands described in paragraph 3(a)(1) of this Agreement, and all easements across the lands conveyed to ASRC pursuant to the provisions of paragraph 3 of this Agreement reasonably necessary to transport energy supplies, including gas or electricity, to the North Slope villages within the NPR-A. The final alignment and location of such energy easements shall be in the discretion of ASRC and shall be consistent with other easements granted for such gas pipelines or electrical transmission lines on adjacent Federal or village corporation lands. The issuance by ASRC of such easements shall not be unreasonably withheld.

13. Nothing in this Agreement shall be construed as creating any rights of enforcement by any person or entity that is not a party to this Agreement, other than the right of NSB under the terms of this Agreement to receive the interests in lands described in paragraphs 11 and 12 of this Agreement.

14. For purposes of expediting execution of this Agreement, it may be signed in separate counterparts, which, when all have so signed, shall be deemed a single Agreement.

15. The parties agree that this Agreement may be amended by mutual consent of the parties.

16. The following general provisions shall apply to each of the provisions of this Agreement, except to the extent specifically provided otherwise in such provision:

(a) The parties mutually covenant and agree not to sue each other challenging the legal authority or capacity of the Secretary or ASRC to enter into this Agreement or to effectuate any provision herein, provided, that nothing herein shall be construed to prevent either party from suing to enforce this Agreement or seeking any other available remedy for breach of this Agreement.

(b) ASRC agrees not to assign to any third party its right under this Agreement to receive the conveyance of lands described in paragraph 3 of this Agreement.

(c) The parties mutually covenant and agree not to encumber property proposed to be exchanged or conveyed to the other party under this Agreement, provided, that if this Agreement is terminated pursuant to the provisions of paragraph 1 of this Agreement, this subparagraph (c) shall no longer be effective.

(d) No member of or delegate to Congress, or resident Commissioner, shall be admitted to any share or part of this Agreement or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this Agreement if made with a corporation for its general benefit.

(e) As used in this Agreement, the term "Secretary" shall include the Secretary of the Department of the Interior or his authorized representative.

(f) As used in this Agreement, the term "Arctic Slope Regional Corporation" shall include ASRC, its successors and assigns.

(g) The parties agree that clerical and typographical errors contained herein may be corrected upon notice to the other party. Unless such errors are deemed substantive or otherwise objected to by either party within sixty (60) days by written notice, correction may be made without formal ratification by the parties.

IN WITNESS WHEREOF, the parties have set their hands and seals as of the date herein written.

ARCTIC SLOPE REGIONAL CORPORATION

Date: January 24, 1984

By _____
Oliver Leavitt
Vice President

UNITED STATES OF AMERICA

Date: January 24, 1984

By _____
J. J. Simmons, III
Under Secretary of the Interior